THE Freeman

IDEAS ON LIBERTY

NOVEMBER 1967

How Leaners Lose Their Freedom	N. C. Christensen	643
What's Going On Here?	Ralph Bradford	647
A Great Society	Edward Y. Breese	656
Inflation	F. A. Harper	662
Taxation Theory	W. M. Curtiss	674
. . . Because I Am an Individualist	Anne Wortham	679
The Basic Realities	Leonard E. Read	683
Discipline in Life	Royal Bank of Canada	688
The Mixed Economy Mirage	Melvin D. Barger	697
Books:		
The New Industrial State	John Chamberlain	701

THE FOUNDATION
FOR ECONOMIC EDUCATION, INC.
Irvington-on-Hudson, New York 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Higher Earnings on your SAVINGS

You earn

5.13%

at our current rate of

5.00%

if account held 1 year.

.25% BONUS AVAILABLE

ASSETS OVER $700,000,000

SAFETY
More than **$250,000,000** in accounts over $10,000 each.

AVAILABILITY
High **14%** liquidity ratio assures that your funds are available whenever needed.

SAVE BY MAIL
We process promptly and pay air mail postage both ways.

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION — INSURED

JOE CRAIL, PRESIDENT

COAST FEDERAL SAVINGS
AND LOAN ASSOCIATION

To: Robert Weston, Coast Federal Savings & Loan Assn., 9th & Hill, Los Angeles, Calif. 90014

☐ Please open a savings account. Enclosed is my check in amount of $_____.
☐ Individual Account ☐ Joint Account ☐ Here is my passbook. Transfer my account.

Name(s) _____

_____

Address _____

_____ Zip _____

7-120A-2 F-11-67

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE FREEMAN

NOVEMBER 1967

Vol. 17, No. 11

IN THIS ISSUE

A visit to the local Welfare Office could tell us much about how freedom is lost, suggests newsman N. C. Christensen ..... p. 643

Or, visit the campuses, as Ralph Bradford has done, to know what is being dispensed there under the labels of economics and political science ..... p. 647

For contrast, retrace with Edward Breese, the origin and development of an earlier and strictly homemade great society off the shores of Massachusetts ..... p. 656

Unfortunately, it is necessary to keep on explaining and trying to combat the harmful consequences of the political propensity to inflate ..... p. 662

Dr. W. M. Curtiss critically examines various theories of taxation and comments on current practices ..... p. 674

Anne Wortham is an individual before she is a Negro, and respectfully requests that we let her keep it that way ..... p. 679

And FEE's prolific author of **Deeper Than You Think,** among other works, here delves into basic realities ..... p. 683

To the anonymous writer of the **Monthly Letter** of the Royal Bank of Canada, we are indebted for many helpful suggestions on the importance of self-discipline ..... p. 688

The much-touted "mixed economy" is no stopping place, thinks Melvin Barger, but merely a milepost on the downgrade into socialism ..... p. 697

Though spun from the same wheel of **Fortune,** reviewer John Chamberlain now shares none of J. K. Galbraith's interpretation of **The New Industrial State** ..... p. 701

Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

NOVEMBER 1967 Vol. 17, No. 11

LEONARD E. READ *President,* Foundation for Economic Education

PAUL L. POIROT *Managing Editor*

THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Tel.: (914) 591-7230.

Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average $12.00 a year per person on the mailing list. Donations are invited in any amount—$5.00 to $10,000—as the means of maintaining and extending the Foundation's work.

Copyright, 1967, The Foundation for Economic Education, Inc. Printed in U.S.A. Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for $1.00; 10 for $2.50; 25 or more, 20 cents each.

Any current article will be supplied in reprint form upon sufficient demand to cover printing costs. Permission is hereby granted to reprint any article from this issue, providing customary credit is given, except "Discipline in Life."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

N. C. CHRISTENSEN

HOW *LEANERS* LOSE THEIR FREEDOM

SOMEONE has said that when you ask for help, justified or not, you surrender some part of the right of self-determination. Dependency feeds on dependency until the will to rise above imposed power fades and freedom is lost. Almost daily the reality of this statement is confirmed.

When a community project encounters rough going, somebody usually jumps up and wants to appeal to "the government" for help. This has become so common that such a proposal is expected in public meetings and in sessions behind closed doors. Perhaps we are becoming child-like in our faith, expecting that no matter how naughty we may have been, "Daddy will pull us out of the mess."

There is no mystery in this growing attitude toward the privilege of acting for ourselves. Instead, we have been taught to look with paternal reverence to "the government," to the White House, to the Congress, or to the relief agency with offices just around the corner from where we live or work.

Can it be that we have entered an era in which self-reliance is going out of style and in its place dependency is becoming the accepted thing? Judging by what is transpiring, one fears that such is the case and that the trend, unless checked, may eventually dim the lights on the Statue of Liberty.

Not long ago I attended a public meeting in which community improvement was discussed. The first question from the floor was a reasonable one: "How do we pay for this?"

An alert citizen had a quick an-

Mr. Christensen, experienced newspaper editor and reporter, advertising executive, and former Army officer, currently does free lance writing from his home in Spokane, Washington.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

swer: "There must be some way to get the Federal government in on this. This program must be covered by one of the Federal agencies. Find that agency and we'll have it made."

One courageous soul protested against opening the door to Federal participation. He was all but hooted down, despite his years of experience and the fact that he had pumped life-blood into two or three dying industries, had built a small industrial empire of his own from a back-yard beginning in private enterprise and was now employing hundreds of men and women and, through heavy taxation, was contributing to the development of his community, his state, and his country and helping to meet the spiraling costs of these governmental units.

The disheartening note in this demonstration was the manner in which this advocate of free enterprise was frowned upon by his fellow citizens, including some of his own employees, and how the vociferous champion of a "generous, big daddy" government was cheered and supported.

Sink or Swim

We have projects today, including a war on poverty, which seem to be achieving at least one goal. Supporters of the war on poverty succeed in uncovering hidden areas of poverty but seldom do they expose the areas of vast undeveloped opportunities in this resourceful land.

Seldom do we hear of more people rolling up their sleeves and digging in to solve their individual problems in the way that the pioneers of this choice land uncovered the wealth that we now enjoy. Work, toil, sweat seem to be definitely out of style. Yet, there still exists a solid core of old-fashioned citizens devoted to thrift and industry; many of these are young in years, but they have vision.

The late President James A. Garfield once remarked: "Poverty is uncomfortable, as I can testify; but nine times out of ten the best thing that can happen to a young man is to be tossed overboard and compelled to sink or swim for himself."

Responsible Charity Helps the Recipient Help Himself

Churches are becoming aroused by the corroding influence of the "get it for nothing" gospel, and a churchman recently sounded this warning:

"If you take care of a person from the time he is born until the time he leaves this earth, you may destroy his self-respect," N. Eldon Tanner, a member of the first presidency of the Mormon church, wrote in *The Improvement Era*,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

official organ of that religious denomination.

Mr. Tanner set forth the basic aims of the Mormon church's welfare program as a world-wide effort to "care for our own." In this program the Mormon church provides employment for the handicapped, for the aged, and other unemployables in the labor market. They earn their sustenance by working on church farms, in church factories and workshops. Those who cannot work are cared for from the products of the welfare program.

"If you give a person help in obtaining employment, you are not just encouraging him to earn what he gets," writes Mr. Tanner, "you are also helping him develop self-respect and in time his family and neighbors will have increased respect for him. He must feel that he is doing his part and carrying on as a part of the community."

This welfare program of the Church of Jesus Christ of Latter-day Saints, commonly known as the Mormon church, with headquarters in Salt Lake City, Utah, was first launched in the depression of the thirties. The original program, called a security program, was aimed at what the church viewed as the evils of the Federal dole in the New Deal era. The church did not object to a member working on a public project. The objection was to accepting a dole without working. This was the evil, as the church saw it.

Heber J. Grant, who was then the president of the church, said: "Mormons are strongly urged to give an active and energetic day's work for a day's pay."

Mr. Tanner, in his recent statement, declares: "If any of us think that the program of the government (today) can take the place of, or in any way improve the programs that are outlined by the church, we are on the wrong track."

A Dependent Way of Life

Perhaps we should visit one of our public assistance offices. If we do, let us go with humility, for the poor will be there, along with others who may create doubt in our minds. You may have difficulty, for example, in parking your car because today's public assistance recipients and applicants do not all come afoot. Large cars and small cars will be parked there when you arrive and there may be no space left for you. You may have to drive farther on, but the walk back will be invigorating and may give opportunity to observe more of those who have joined the growing dependency army.

Inside the office, you will have the stimulating experience of wit-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

nessing further how dependency grows. You may see a new form of independence which arrogantly demands that "the government" must shoulder the burden of one's personal comfort and survival. You may overhear the pitiful plea of a well-dressed woman that she desperately needs an extension phone installed in her home . . . and she gets it. Your sensitive nature may be touched by a young mother who says that neither she nor her children can eat the food that is dispensed to them from welfare stocks. You may be shaken by this and worry about it until you discover that the food she complains of is similar to the food you purchased with your earned dollars in the supermarket the night before.

You may also hear the welfare applicant, who has just driven up in a 1966 station wagon and who is dressed as well as your own wife, emphatically point out that "the government certainly can't expect us to get along on that miserly bit of money."

"How can we live on that?" she shrieks at the timid girl behind the desk. But, you will notice, the applicant doesn't walk out indignantly and say: "I'll show you. I'll go to work."

No, she doesn't do anything rash, such as getting a job. She is totally sold on the total dependency idea and she's hanging on and fighting for all she can get for nothing.

Such are the things you may see on a casual visit to a public assistance office. The potential danger to freedom will become apparent when you witness the willingness of so many to slough off personal dignity, to shun honest work, to resign themselves to a state of total dependency.

None of this should reflect on the character of those destitute through no fault of their own. They would willingly work, if they could. They are grateful. These people seldom complain. The evil lies in a system that encourages and allows the able-bodied to drift into a state of shiftless dependency that takes from them their dignity and their freedom. To this they also commit their children, and this is the evil that is shocking some of our churches and should shock us.

When either a community or an individual extends its hands and says, "Please help me," the first step has been taken toward abandoning self-determination.

Throughout history, the leaner always has had trouble standing on his own feet. ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A. Devaney, Inc., N. Y.

What's Going On Here?

RALPH BRADFORD

HAVE YOU talked much with your collegiate son lately? If not, you might find a conversation quite enlightening, especially if you are talking about economics – macro, that is, not micro. Although micro, too, can be quite revealing.

Until lately, those were new terms to me – I mean, new in connection with the study of economics. Of course, we've all been using them for years in other contexts. But in recent academic parlance these modifiers have been given a new association.

In the old economics you and I were taught about the satisfaction of human needs and desires through trade – the division of labor, specialization, the consequent development of industry and transportation; the invention of money, credit, banks, wages, profit, capital investment. That, in brief, was our classic economics, and we thought it was pretty important.

But if your son is studying economics, you will soon discover that this was micro economics – minuscule, elementary, parochial. Important? Yes, in somewhat the same sense that the alphabet is, or the ten digits – something to begin with. But it is really just a kindergarten exercise. Students must move on to the macro, the really big stuff.

This gets us into the "public sector," a term that I first began to hear in European meetings twenty years ago, as a result of their rapid shift into socialism. It is now, of course, much used by our own economists and others who are interested in the vast expenditures of nations, the flow of international trade, tariffs and tariff unions, balance of payments, debt and debt management, and

Mr. Bradford is well known as a writer, speaker, and business organization consultant. He now lives in Ocala, Florida.

A long-playing album from his epic poem, *Heritage*, describing the American story, is available from the Foundation for Economic Education.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the economic consequences of political action on the grand scale. Implicit in all this is the idea of a world economy artificially stimulated by "public sector" spending, and directed by a self-chosen elite rather than by the untrammeled operations of the free market. Due recognition is accorded to the "private sector"– individual and corporate enterprise – but more often than not your professional economist is now a devoted Keynesian who is all in favor of the big government necessary to a centrally managed economy, with heavy emphasis on the big spend, the big debt, and the never-pay-it philosophy. Most of them seem blissfully unaware that Keynes himself had backed off some distance from his original ideas before he died.

These are some of the things you will probably find out in that talk with your collegiate son. And more than likely you will find that he is pretty much in agreement with what he has been taught. I base these conclusions on my experience in visiting colleges during the past few years as occasional lecturer and discussion leader. These visits were mainly in five eastern and southern states. From such a sampling I cannot pretend to say what is going on in all colleges; but since certain attitudes were so similar as to be almost identical in the ones I did visit, it seems reasonable to assume that they may occur in many, if not most, colleges.

Setting the Stage

First of all, your son in all likelihood is being encouraged to accept the present state of things as normal and permanent – state interventionism, an economy "managed" through tax juggling and/or public spending, deficit financing as a permanent fiscal policy, a huge national debt that need never be paid off or even reduced so long as it bears a certain relationship to the gross national product – and so on.

As a sort of background for all this, he is being told that in 1933 this country was on the brink of a bloody revolution which was averted only by the radical programs of the New Deal. Particularly emphasized is what is termed the agrarian revolt in which, it is alleged, farmers – especially in the Midwest – were on the verge of an armed uprising. The historic peg on which such nonsense is hung is this: Under the stimulus of high prices for wheat and corn during the first world war, thousands of farmers had overextended their land holdings. Land values were artificially inflated up to five, six, even seven hundred dollars an acre. You do not need to be an

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

economist to know that in normal times corn and wheat crops would scarcely pay the interest, let alone retire the principal, on land at such prices.

It was also true, of course, that the same motivation which prompted farmers to buy more land led them to expend more money in its development and use – contouring where necessary, tile drainage, up-to-date farm machinery, fertilizer, and so on. Thus, the better and more adventurous farmers suffered all the more severely, when the world-wide depression of the late twenties came, with its tumbling prices of farm commodities, along with all others.

Millions of farmers could not meet either interest or principal, and there were many foreclosures. This was bad – for the unfortunate individuals involved, and for the economy. Some who lost their land became angry and bitter. There were occasional threats of violence. In one dramatic case, a farmer mob at Le Mars, Iowa, seized a judge in his own courtroom, carried him out, abused him, put a rope around his neck, and threatened to lynch him unless he would agree not to sign any more orders for foreclosures.[1] Shocking? Yes – but this isolated case of mob action was a very far cry from the bloody agrarian revolt which certain leftists would now have us believe was so narrowly averted.

But students are still hearing distorted echoes of it. They are still led to believe – not by all teachers, certainly, but by some – that if we had not had the radical New Deal intervention, the whole country would have experienced a blood bath. All of which, incidentally, is a wicked canard upon the American people, whose deportment during that troubled period was one of heroic restraint and courageous patience – so much so that Franklin Roosevelt himself (on the testimony of one of his far left lieutenants) often commented admiringly on the fortitude of the people under the stress of sharp adversity.

This perversion of history is part of the left-wing legendry that your son is hearing. He is also being influenced to believe, by attitude if not by direct statement, that businessmen generally are unimaginative, hopelessly reactionary, and without social conscience or vision. Corporations, he is told (or at any rate so he believes, as surveys much wider than mine reveal), make too much profit, are unfair to their employees, and offer very little attraction or incentive to ambitious young men.

[1] See James Truslow Adams, *The March of Democracy*, volume for 1933-41, p. 11.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Getting Their Attention

Now, because my talks are from the conservative viewpoint, I try to shock the students into attention with initial statements of a rather "extreme" nature – such as assuring them they have no "right" to an education. It usually works. They clearly want to see what other absurdities this troglodyte will utter. But it also serves to identify the conservative students. There are always a few, maybe as many as ten or fifteen per cent. In private talks these students confess to a feeling of frustration. They believe in a free society and a free economy, but they are often immersed in a classroom atmosphere of state interventionism and compulsion. To speak of free enterprise there is to invite ridicule. As a result, they are delighted beyond measure when somebody visits the campus who speaks forthrightly the forbidden language of conservatism, expressing the things they believe to be true and want to hear, but seldom do, except in terms of criticism or derision.

Can a Man Be Both Capitalist and Christian?

Constant classroom denigration of business entrepreneurs has its inevitable effect. Here's an example of the way it works: At a denominational college in a southern state, I met with a class in economics. After a short talk, I led into a discussion period, with the teacher participating. Questions and comments soon swung to capitalism, its nature, faults, and virtues. Presently, a personable young man, who turned out to be a senior, remarked with some heat, that a man could not be a capitalist *and* a Christian. He said the terms were mutually exclusive. Only one person in the class disagreed with him – another student, not the teacher.

I switched to something else for awhile, then came back to the young man. Under the pretext of finding out whether his economic status had influenced his opinion of capitalists, I asked whether his father was a professional man. No, he was in business. Further questions developed that the father owned a lumberyard and planing mill. It also came out that he was a stockholder and director in a bank. Anything else? Well . . . oh yes, he owned a business block on Main Street, and he was principal owner in a couple of apartment buildings.

At that point I administered what I thought would be a crusher. "Tell me," I said, "is your father a Christian?"

It never fazed him. "Yes indeed," he said, rather proudly, "my Dad is quite active in our

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

church. He's a very good Christian."

That young man, a senior about to graduate, was majoring in economics—*and it simply had never occurred to him that his father was a capitalist!*

In that same college, the teacher of a class in history said he gathered from something I had said earlier that I did not favor Federal aid to education. I told him that was correct, and was about to explain why, when he stopped me. "I just can't understand," he said sadly, "how a person of your evident good will can be *against education!*"

What kind of doctrine do you think *he* would be teaching your son?

Two Against None

At a northern college I had been asked (I do not yet know why) to include a talk on The American Business System. It was by no means an uncritical panegyric. My outline went like this: What is business? How did it start? Its foundation in trade. A quick review of ancient economies. Growth of the free market concept in America. The "buccaneering" period. The corporate concept. Motivation of business today.

In the course of the talk I mentioned two books and told the students to read them if they wanted to hear all that is bad about business. I also mentioned one other to read if they wanted to hear a recital of its good points. I thought I was leaning over backwards to be fair: Two books *against* business, one book *for* it. But the professor in charge of the class wasn't pleased at all. He was quite satisfied with the two *anti* books; but he was very unhappy about the one I had cited as pro-business. He said it was by an untrustworthy author who was formerly a liberal but was now notably reactionary. In other words, this teacher of economics didn't really want his students to read anything favorable to business enterprise.

What sort of economics do you suppose *he* would be teaching your son?

A Queer Standard

I recall the head of an economics department in a northern college. In a social hour following my formal talk he got me to one side and asked if I didn't get a lot of protest and criticism from college officials because of what he called my ultra-conservative lectures. Now the signifiance of that lies in the content of my lecture. Let me summarize it briefly:

It discussed present opportunities and responsibilities of citizenship. It advocated self-reliance rather than dependence upon the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

state, and it favored solvency rather than technical bankruptcy as a national fiscal policy. It advocated minimum government of limited powers and defined responsibilities. In the field of foreign affairs, it examined some results of our aid program and pointed out that much of it had been wasteful and fruitless; and it was sharply critical of a policy under which billions forcibly taken from American taxpayers were squandered on nations that have openly declared themselves to be our enemies. And it advocated a gradual liquidation of our freedom-strangling national debt and the restoration of the value of our money, so that those who work and save will not be wiped out through inflation.

I hope the reader will forgive this rather lengthy resumé of a not-too-important lecture. Its significance is that *this was the substance of a talk that was characterized as "ultra conservative" by the head of a college economics department.*

What do you suppose he is teaching *his* students?

No Facts, Please!

Later I was invited to participate in a symposium at a mid-South college. Long oriented to one of the big religious denominations, this college is also heavily endowed by one of the South's industrial fortunes. There were to be three speakers – two educators and one representative of business. The two other speakers were a professor of theology from an eastern college and a history professor from the Midwest. We were to discuss American capitalism.

When I got there, I found that the history professor was a Marxist – not by my definition, but by his own. The theologian was not a Marxist – at least not admittedly; but he was a left-winger, a member of ADA, and a perfect fellow traveler for the self-proclaimed disciple of Marxism. In the several lecture and discussion periods, he did not once disagree with the Marxist, and the two of them had a ball tearing poor old American capitalism to pieces.

As an example of typical Marxist cynicism, the history professor attempted to lay out ground rules for the discussion. He said it would be unfair to drag Russia or China or Cuba or any other communist country into the discussion. We should look at Marx in his purity as an economic and social philosopher, and not becloud the issue by citing any unfortunate aberrations or abuses that may have occurred in these communist countries. Believe it or not, that was his serious proposal – and it was seconded by the theologian! The college moderator of the series (a senior) was

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

also quite willing to accept it. Needless to say, I was a stumbling block. I insisted that *Das Kapital* was a book and that *The Communist Manifesto* was a document – nothing more. The only way to judge the ideas they proposed was to examine results in the countries that had tried them. To do otherwise would be the equivalent of setting up an inquiry on juvenile delinquency and gang warfare – but with the proviso that the researchers must never go near Harlem, or the seamy side of Central Park – or the slums of any other great city. The matter was not formally disposed of, but I can record that I did not abide by the professor's rules!

There is no point here in trying to summarize their talks or mine. I am inclined to believe that I held my own in the fruitless contest – but I hasten to state that I do not mean by that to say that I carried the day with the students. They heard me with courtesy, and I could spot a few conservatives among them; but it was quite apparent that most of them were much more sympathetic to the radical Marxist doctrines than to the conservative ones I represented.

Each morning the three speakers were asked to meet for coffee in one of the lounges, there to be available to any students who cared to drop in for questions, or just to visit. Not many came, but those who did were plainly the campus leftists. The faculty adviser on student affairs was there, and he seemed quite pleased to report that there were two leftist student organizations on the campus. (Of course, he called them "progressive.") On the other hand, he told with visible satisfaction about how successful he had been in thwarting the efforts of a well-known conservative student organization to get started there.

Radical left-wing students? Wonderful! Conservative students? Down with them! Keep in mind that he was a member of the faculty. What do you suppose *he* would be teaching your son?

"We Owe It to Ourselves"

In a southern college I made my more or less standard assembly talk in which, among other things, I advocated solvency as a national fiscal policy. In a subsequent discussion period I was taken sharply to task by the head of the economics department. He said, in brief, that all talk of a balanced budget, and all concern about the size of the debt, was harmful nonsense.

He then advanced what I have learned to recognize as a standard liberal cliché about our debt. It

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

goes like this: Our debt is only around $300 billion (that was three years ago). But our gross national product is annually more than twice that amount. So it is silly to worry about a debt that is less than half what we produce each year. This sounds plausible until it is analyzed. Who creates that vast GNP? Obviously, it is all of us – the American people. So what portion of that GNP belongs to the government? None, of course; it belongs to those who create it. But what portion of it is set aside to pay off the debt? The answer is, no part of it. Oh, some of it is taken in taxes – but not enough even to pay current operating expenses, else we wouldn't have the yearly deficit. Not one penny of that GNP is hypothecated as collateral for the debt. The government has no title to it; and the only way it could be fairly cited as security for the debt would be for the government to seize enough of it each year, over and above taxes for current expenses, to pay off the debt in a stated period.

At that point the professor changed the subject – or rather, he broadened his claim. He said it was estimated that the total wealth of our country is between 2½ and 3 trillion dollars. Using the top figure, that is 3 thousand billion. On that basis, our assets in wealth would have a ratio of about ten to one in relation to our debt. So again – why worry? All the alarmist talk about the menace of the mounting debt, he insisted, is mischievous nonsense. He added with some heat that in his opinion I was doing the country a disservice by preaching such outmoded economics to impressionable students.

My reply to that was to the effect that I was on that campus for two days, whereas he had the students at his mercy for nearly a year. If in that time the economic poison he was injecting could not overcome my two-day inoculation of economic sanity, then perhaps I had overestimated his powers, and maybe he wasn't as dangerous as I had thought he was! A cheap theatrical rejoinder? Maybe. But recall, please, that I was being pushed around. Anyway, the students loved it – even the "liberals." But the professor was not amused. Possibly that was because his argument about the ratio of assets to liabilities of ten to one wouldn't stand analysis. For example:

What are those three thousand billions of assets? Well, they are the land, the mines, the railroads, the steamship lines, the airplane lines, the manufacturing plants, the timber, the hotels and motels, the office buildings, the gold,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

silver, oil, gas, uranium, the farms, the homes – in short, the accumulated wealth of all sorts. Very good, but who owns all this wealth? Aside from actual government property, it is owned by the people – either as individual proprietors or as stockholders in corporate enterprise. How can you set that wealth up as collateral for the debt when the government has no title to it? The only way it could mean anything in relation to the debt would be for the government to seize enough of it to retire the debt.

To all this the professor simply would not agree. He insisted that the total wealth, regardless of its legal ownership, was a sufficient guarantee that the debt was safe, and he was not at all impressed by the evidence of continuing inflation. In fact, when I made the point that inflation injured or wiped out the small saver, such as a holder of government bonds, his reply was, "Let them invest their money in corporate stocks and realize on capital gains." When I asked him how many small investors he thought were experienced enough to deal in equities, he simply shrugged. That was not his affair.

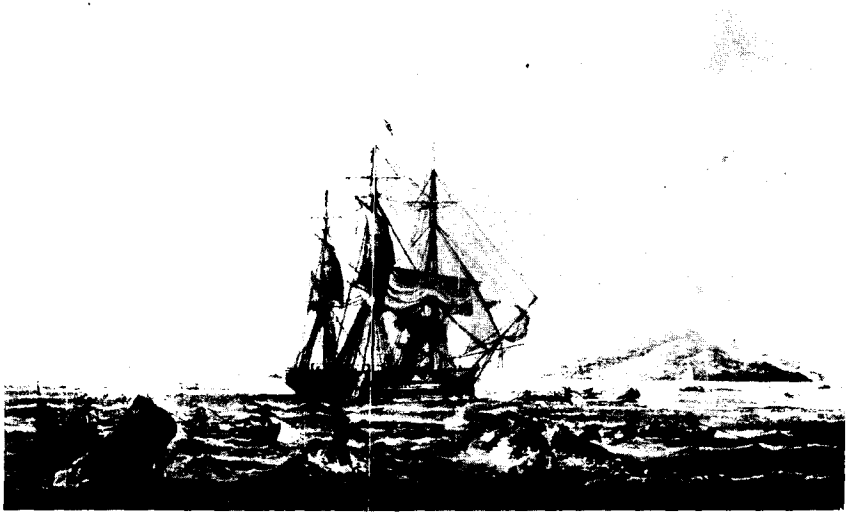
What do you think *he* would be teaching your son?

Now I am sure there are some colleges – maybe many – that do not fit the pattern I have been outlining. Indeed, I am acquainted with some teachers who are making a courageous effort to present a balanced picture to their students. I encountered a young history teacher in one northern college who made me welcome and who confessed that he was having a pretty rough time living with the "liberal" majority of the faculty. I also met, in the Dean of one college, a devoted scholar in the best conservative tradition, who seemed quite happy to have me preach a little "heresy" on his campus. But these were exceptions.

Based on the ones I met and whose classes I attended, the average teacher of college economics, or government, or sociology, or modern history, makes little or no effort at objective presentation of his subject, but hews pretty close to the "liberal" party line.

Check with your son who is in college. Is this the way he is being taught? Is this the way you *want* him to be taught? ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



The Bettmann Archive

A Great Society

Home-made, self-operated, and really free

EDWARD Y. BREESE

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IN RETROSPECT, it's a good thing they didn't wait for a government grant of funds or a massive program of made work or industrial subsidy. Those things didn't exist in 1659. If they had, Thomas Macy and his friends certainly wouldn't have been eligible by the standards of that time.

If our ancestors had thought and acted as so many people do today, Mr. Macy and his friends would have had a high priority claim to relief and subsidy benefits for the underprivileged and potentially unfree.

Just think. They were a religious minority (Quaker) highly unpopular among their fellow New Englanders. They had been actively persecuted and forced to leave their homes. Individually, none was prominent, important, or wealthy. They had neither learned nor inherited skills that would be of use in their new environment.

To cap the climax, their place of refuge was highly unfavorable to survival on any but a bare subsistence basis. They settled an island, well off shore, about fifteen miles long and one to three miles broad. Its only harbor was so blocked by shifting sandbars that only small boats had free access to the sheltered anchorage.

The soil was sandy and infertile. Heather and moor-sedge grew well there. Grains and vegetables did not. Sometimes salt spray blew over the island to burn out what crops there were. There was not even a decent stand of timber for house and boat building. Later, even firewood had to be imported.

Note how perfectly they would qualify for subsidy and assistance in our day. Their island was a physical and economic "Appalachia" without apparent resources to create or maintain any sort of viable prosperity. It was also a religious ghetto whose people were both discriminated against and socially despised by their nearest neighbors. They had neither schools nor money to build them, nor would it have been possible to recruit teachers from more favored areas. There were no doctors and no hospitals for the sick, no courts or police to maintain order. The children grew up with neither authoritarian guidance nor planned recreation programs.

A grim prospect—made grimmer still by the settlers' inability, individually or collectively, to qualify for any private loans for working capital. Apparently, there was "nowhere to go from here," and no way to get there.

Mr. Breese has taught Industrial Management at Georgia Tech and headed the Department of Humanities at Embry-Riddle Aeronautical Institute in Florida. At present he is a free-lance writer.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Beg, Die, or Be Free

In any age and any society there can be only three ways for a people in such a situation to react. They may seek aid from some source outside themselves, either public or private. They can resign themselves to a survival-at-subsistence-level until the community either dies out or is abandoned.

Or they can react as freemen. This is the hardest way of all. It calls for heroism of which only the freeman seems to be capable. Almost anyone who ever lived, if he had but found himself at the Pass of Thermopylea, could have stood up and fought with the three hundred. The capacity for a brief, climactic moment of physical heroism, thank God, seems to exist in nearly all men.

It calls for another and, to my mind, a higher form of heroism to stand up to the endless, debilitating attrition of a seemingly impossible economic blind alley. Even greater qualities than these are needed to transform a barren and desolate sand reef into a cultured and prosperous community which served for two hundred years and more as a model to the world at large.

Yet, this is what the early settlers of the island of Nantucket managed to achieve.

If anything, I've underplayed the difficulties these people faced. For years, they ate fish and hung on as best they could. Sometimes they chewed leather when bacon was gone. In 1672, they built their town on its present site. The things that had to be imported were obtained by bartering smoked and dried fish, on the mainland — when a market could be found.

The off-shore location of the island meant that dead "drift" whales were frequently cast up on the beaches by wind and wave. The meat, when fresh enough, was welcome; and the oil and bone provided a valuable natural resource for trade with the mainland. Some of these whales had died natural deaths; others probably had been killed but not secured by the boat-whalers of Cape Cod.

Their First Live One

About the year the town was founded, a northern or Right Whale blundered into the harbor and failed to find its way out again over the shallow bar. The sporting instinct, and the cupidity, of the Nantucketer was aroused. Some unsung local smith promptly forged the first of unnumbered Nantucket harpoons, and a boatload of townsfolk put out. The whale was killed and beached.

The rest of the story is an American epic. Perhaps we should

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

say a world-wide epic of the freeman. Lookout stations were erected along the seaward perimeter of the island and manned by volunteer watchmen. When a whale was sighted, small boats put out from shore to the chase. The dead whale was beached and the oil, bone, and meat secured by shifts of islanders working together.

These people weren't too proud to learn. They studied the techniques practiced by Cape Cod, Long Island, and Indian whalers, and added improvements through their own experience. In 1690, a skilled whaler named Ichabod Paddock was persuaded to bring his family from the mainland and open an apprentice training school for the men and boys of Nantucket.

Everybody—but everybody—on the island got into the act. It's important to keep this well in mind.

By the early 1700's small sloops, capable of cruising for several days, had begun to replace the row boats used at first. The cruises were short, however, and it was still customary to tow the carcasses to shore stations for butchering.

In 1712 Christopher Hussey killed the first sperm whale ever taken by a Nantucket boat. The superior quality of the oil was quickly noted, and the hunt for the sperm whale began. These big fellows were far cruisers. To strike them it was necessary to cruise the reaches of the North and South Atlantic, the Brazil Banks, and the African Coast. Little sloops would not suffice any more. Nor could a dead whale be towed hundreds of miles before the oil was taken from the carcass.

Without Federal Aid

There were still no government grants. There weren't even "surplus" naval or merchant marine vessels available to the infant industry. If the islanders wanted larger vessels, they had to build them. They had to design a new type of ship for a new fishery, and learn how to build from their own designs. They had to import timber—and pay for it from current income. They had to produce for themselves a hundred different implements and types of gear demanded by the industry.

All of this had to be financed by a community which included no very rich families and which had, as yet, no collective credit sufficient to float a direct loan or security issue.

They started with larger sloops of about thirty tons, capable of cruising for six weeks or so. By 1715 they had six of these. Fifty years later, there were 101 Nantucket whalers—sloops, brigs, and schooners. By 1775 the total had

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

passed 150. The oil, bone, and whale ivory they brought home were sold in Boston or directly in London. The islanders were importing timber and brick for the beautiful big houses which still stand as monuments of the early days. In time, Nantucket ships were seen in the most distant waters of the Arctic and Pacific oceans.

During the Revolution about 135 island whalers were captured by the British Navy. So highly were these men respected that, instead of going into prison hulks, they were forced to continue at their trade under the enemy flag. Far from destroying the fishery, war only stimulated the people to greater exertions; and the fleet continued to grow. Nantucket whaling did not end until the use of petroleum products made whale oil economically unprofitable after the Civil War.

The Fruits of Enterprise

There is no finer example in history of the achievement of cooperative free private enterprise than the story of the Nantucket settlement. These people started from scratch. Brainpower and hard work and common sense made them rich. They found a natural resource where apparently none existed.

Most of the early families became related by marriage until they were one big family. Of more than average intelligence, hard-working and thrifty, the people were so law-abiding that little or no government was ever needed or in evidence on the island. There were no paupers and no criminals. No bureaucracy was needed or wanted.

During the height of their prosperity and activity *there was not a single lawyer on the island.* None was needed.

Capital for building and outfitting the fleet was raised by the people themselves on a strictly free enterprise basis. Everyone contributed according to his or her means, and everyone profited.

Each ship was owned in a large number of widely distributed shares and built and outfitted by the sale of these. A particular individual might own shares in ten or a hundred ships and would profit from the voyage of each.

The island boy started to learn the cooper's trade or the boat builder's or smith's at the age of twelve. At 14 he went to sea, and became an officer in his twenties. Generally, he left the sea by forty to concentrate on the shore end of the business and make way for a new generation.

Everyone on the island had an interest in the business, over and above the shares in ships. If a man made harpoons, they must be

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of the best, for he owned a share in the whales they would strike. If he sold provisions, they must be of good quality, for the well-being of the crew would contribute much to the voyage in which his funds were invested. If he built whaleboats, they must be well made, for his son or brother would man them.

The business affairs of the town were more like the transactions of a clearinghouse than like the typical village trade and barter. The amount of money in hand was small. Business was largely a matter of crediting one item against another. A losing voyage was offset by the profits of others.

It was this unity of purpose, intelligence and courage in planning and venturing, and keenness of spirit in the whale hunt that made Nantucket the greatest whaling port of her era. The memory and study of their achievement stand as inspiration for all freemen today.

Above all else, Nantucket stands as the monument to men who thought and acted as freemen. Obstacles which might have destroyed them served only as a spur to greater achievement. They had—*they needed*—no advantage and no resource not instantly available to all freemen at all times.

You and I have these same resources, if only we will think and dare to employ them. The lesson these freemen taught will be as valid in 1972 as in 1672. ◈

Wards of the Government

WE AMERICANS seem to believe that just because our pioneer fathers once subjugated the Indians, we in turn are obligated to keep them in the bondage of government "security." As a result, the Indian has the status of a *ward* instead of a citizen. Instead of being a responsible person, he is a dependent.

And in a like manner, if we free Americans continue to turn to government for our security, we too will surely become dependent wards instead of responsible citizens. There will be a Commissioner to control our personal affairs and our individual responsibilities. Instead of calico and blankets, we may be promised a hundred dollars every month. But since the *principle* is the same in both cases, the results will also eventually be the same.

DEAN RUSSELL

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

How to Prevent Inflation

F. A. HARPER

INFLATION can be prevented. Failure to do so is purely and simply a matter of negligence.

Inflation is a trick done with money. Suppose that the government were to provide vending machines all over the country where persons could deposit each dollar they now have and get two in return, by merely pressing a button. If everyone were to use this gadget, each person could then pay twice as much as before for everything he buys. That would be inflation in a clear and simple form.

People could, of course, put away some of this new money in "a sock" or otherwise hide it from circulation and use. But with this inflation gadget operating, there would be less incentive than before to keep the money in hiding, because it would become worth less and less with passing time. So the hoarding of money isn't likely to solve the present inflation problem, if it persists.

Inflation means too much money. The way to prevent inflation, then, is to close down the money factory. It is just that simple.

All the complicated gibberish one hears and reads about inflation simply blocks an understanding of the essentials of the problem – though it may impress the ignorant, or hide the negligence of those who are responsible for inflation by making the task of preventing inflation seem hopelessly complicated.

Dr. Harper, long a member of the staff of the Foundation for Economic Education, continues his research, writing, and teaching as President of the Institute for Humane Studies at Menlo Park, California.

This article is slightly condensed from his pamphlet first published in 1951.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Money Factory

Where is the money factory? Who operates it?

The money factory in our present money system is operated by the Federal government, either directly or by farming it out to subcontractors under the control of government.[1] It makes paper money to replace that which has become dirty or worn out. It makes new paper money to increase the supply. It makes pennies, nickels, and the other coins. It permits the banks to grant credit to borrowers, which becomes money that is interchangeable with any of the other forms of money in use.

But for purposes of seeing where responsibility lies in the inflation problem, we need not concern ourselves with all these different kinds of money. It is necessary only to say that at present all forms of money come out of the government factory, or are controlled by the government, under a complete monopoly.

If anyone doubts the existence of this money monopoly by the government, he can test it by manufacturing some money himself—even one cent. He would then be charged with counterfeiting, and be given a penitentiary sentence for having infringed on the monopoly. The policeman in this instance is the one who holds the monopoly.

The money monopoly is a strange one. We usually think of a monopoly as restricting output, which can then be sold at a much higher price. But in the money monopoly, the government can force the citizens to take the entire output of its product.

A Highly Profitable Monopoly

Not only that, but the operation is highly profitable – nearly 100 per cent, or almost the entire price of the product. This is one clear case of an "excess profit" which the victimized customers are forced to pay.

If the money monopoly were not so profitable, there would be no inflation problem at this time. The profit incentive works with money and stimulates its production, just as it does with anything else. In olden days when some otherwise useful commodity like gold, for instance, was used as money, anyone who wished could produce as much of it as he liked. The production of money was then legal and competitive, rather than being a crime as it is now. Its production was so costly in time and expense that the inefficient producers were crowded out, just

[1] Beyond the scope of this analysis is the important question of alternative money systems, with advantages or disadvantages so far as the danger of inflation is concerned.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

as they are crowded out of the production of brooms or mousetraps.

But it is not so with present-day money, with the paper bills and deposits that make up most of our money of exchange. It doesn't cost much for the paper and ink and printing needed to make a $100 bill. It is probably the most profitable monopoly that ever existed, and the entire force of the Federal government is available to protect its monopoly against the infringement of private counterfeiting.

When a private citizen counterfeits money, the wrath of other citizens is aroused and they say: "He did no useful work to get that money, and yet he spends it in the market place, taking food, clothing, and other things away from those of us who have earned our money by working for it. He takes useful things out of the market without producing other useful things to go into the market, as we do. The effect of his chicanery is that prices go up and the rest of us receive less and less for our money."

This is a correct statement of what happens under counterfeiting. It is the reason for objecting to counterfeiting, because the counterfeiter gets something for nothing. And it is the reason for objecting to legal counterfeiting, too. If everybody tried to live off counterfeit money, one would at once discover its effect in the extreme. There would be nothing to buy with the money and it would be completely worthless.

When the government makes new money and spends it, the effect on the supply of things in the market to be bought by civilians with their earnings, and the effect on prices, is exactly the same as when any private counterfeiter does so. The only difference between the two is whether it is a private counterfeiter that gets benefits looted from others, or whether it is a counterfeiting government spending it on pet projects – projects that the citizens are unwilling to finance either by private investment or by tax payments.

The Watered Punch

Counterfeit money affects what you can get for your money in the market much like water affects the punch at a bring-your-own party. Each in attendance is to be allowed to dip into the punch bowl in proportion to the quantity of ingredients he has brought and dumped into it. All bring some pure ingredient wanted in the mixture.

Now suppose that one person brings water, and dumps it in. This dilutes the punch, but the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

person who does it is permitted to drink of the mixture the same as those who are being cheated. He gets something for nothing, and the rest get nothing for something by an equal amount. If everyone were to do the same as he has done, it would be perfectly clear what the adding of water does to the taste of the punch. So it is with counterfeit money, whether done privately or by the government.

Why Government Inflates Money

The government makes this new money in order to cover what it spends in excess of its income—its costs in excess of its tax revenues. The government makes up the shortage with the new money made in its monopolistic money factory. For our present purposes, it makes no difference whether this is done with paper bills directly, or with bills which it obtains by issuing another form of paper money — government bonds—which are forced upon the banking system.

What the government does is like a counterfeiter who continuously spends more than his earnings, and who goes to his basement print shop each evening and makes enough counterfeit money to balance the shortage. His print shop might put out either paper money direct, or counterfeit bonds which he sells to the banks in exchange for the money; the effect would be the same in either instance.

Living Within Income

The way—the only way—to stop this form of inflation is for the government to live within its income. This can be done either by raising enough in taxes to meet its costs, or by paring down its costs to equal its income.

In a family, the housewife may try the former method — nudging the husband to ask for a raise, or to hustle for more sales—but in the end the family must always resolve the problem by spending less than it would like to spend, and living within its income.

The government holds unlimited power to tax every family in the nation, and for decades has been raising more and more taxes, but it has never resolved the problem that way. It appears to have forgotten the possibility of reducing expenses as the means of living within its income and avoiding inflation. So we have had inflation almost continuously since 1931, and are now faced with its acceleration.

The only way to prevent inflation is to prevent these governmental deficits; to pay currently and in full all the expenses of government that we either demand or

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tolerate. To do this it is necessary either to increase taxes or to cut down the costs of government. We are only kidding ourselves if we say that we can avoid both taxes and governmental frugality, by inflation-financing of the excess of its costs over its income.

Inflation a Form of Tax

Inflation of the type we are discussing is in reality a form of tax, not an alternative to taxes. It is, in fact, perhaps the most pernicious form of tax, for the reason that it is not recognized as such. It can ply its evil way under cover of this ignorance, and without the resistances and disciplines of a tax that is open and recognized.

We speak of direct and indirect taxes. Property taxes or income taxes which are paid by individuals are direct taxes; only about one-third of all taxes are of this type where we can see them clearly. Indirect taxes, making up the other two-thirds, are collected at some point away from the consumer, and become buried in the prices of the things we buy and the services we employ. All these direct and indirect taxes are at specific rates which are set by a governmental body charged with that responsibility. They decide what will be taxed, and how much.

But with inflation, which is in reality also a tax, it is not these taxing bodies which designate the tax. It is a tax created by default. When the spending part of government outruns the taxing part, the difference is financed by governmental counterfeit, by inflation which falls as a tax on each person in the market place in the form of higher prices for what he buys. Everyone who uses money for buying in the market pays some of this form of tax. It is the close equivalent of a sales tax on everything. One who favors deficit spending—the inflation tax—should not be opposed to a sales tax imposed on all purchases of goods and services, without exception. The only important difference is that the sales tax is known to be a tax, but the inflation-tax is thought to be avoidance or postponement of the tax.

Postponed Taxes a Myth

This makes clear, I believe, why inflation is such a pernicious form of tax. People who would otherwise protest and curb the extravagances of government are lulled by the foolish notion that inflation is a means of postponing payment of some of the current costs of government.

It is especially tempting to try to avoid taxes when the government is spending with abandon for a "national emergency." It is

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

then argued that "since the expensive projects of government are largely for the benefit of later generations," why shouldn't part of the costs be left for them to pay? This notion, as has been said, has become a steady habit in the United States.

The truth is, however, that if the government this year dips into the national punch bowl of goods and services that are produced and available, what it takes out and squanders this year is not there for others this year. The more government takes and squanders this year, the less someone will get back this year compared with what he produces.

Why, if we ignore the minor item of foreign trade balances, is it believed that a nation can postpone this year's cost of government? Probably it is the presence of money that confuses us. If we were to think only of punch and potatoes and things—exchanged by barter—we would not be confused, because we would then realize that we cannot eat potatoes this year which are to be grown next year.

A whole nation of persons can't go on year after year consuming more than it has to consume. It can't do it for one year, or even for one day. It can't do it by allowing inflation, or by any other means. Failure to realize that inflation is a form of tax leads to the false belief that inflation affords a means of postponing some of the costs of government. But it can't be done.

If it were possible for a whole nation to postpone one-third of this year's cost of government until next year, why not postpone half of it? All of it? And if it is possible to postpone it until next year, why not postpone it for two years? Ten? Forever? If this were possible, we would not need to wait for utopia. We could have it now!

Government Fights Government: The Inflation Fighters

Our present situation comes into clearer focus when it is realized that inflation is a form of tax. A part of the costs of government are paid for by what is commonly called taxes, in both direct and hidden forms, levied by the taxing part of government. The remainder of the costs of government is paid for by the inflation-tax, which is in reality levied by the appropriations part of government over the protest of the taxing part of government, which has refused to raise all the taxes needed to cover all appropriations. This results in inflation, and prices rise.

There then is said to arise "need" for another big project in government, the "inflation fighters." A big force of lawyers, economists, and policemen are hired.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

They organize the citizens into community inflation-fighting gangs, to lend an appearance of local respectability to the endeavor. These local organizations also insure that neighbors will be enrolled to serve as policemen over their neighbors, in the front line trenches where the fiercest fighting is most likely to occur.

Why does all this new machinery seem to be necessary? What are they doing? The new branch of government is set up for the purpose of fighting the payment of the inflation-tax that has been assessed by another branch of government – the appropriations division. It would be as logical to have the government set up a big unit in Washington, with citizens committees and all that, to conduct a tax revolt against the payment of income taxes – to fight the Internal Revenue branch of the Treasury Department.

Economic Quackery

Every illusion floats on a plausibility.

Quack medical doctors attack the most vivid symptom with something that is plausible to the suffering patient. The treatment may be to throw cold water on a fevered patient, or to throw hot water on one with chills. The quack doctor may use two thermometers – one that does not rise above 98.6 degrees which he uses for fever patients, and another that does not fall below that point which he uses for chill patients – to "prove" that his "cure" has been effective.

A quack engineer might try to prevent an explosion by adjusting the pressure gauge downward or closing the safety valve. Or a quack railroad engineer might try to prevent a wreck by adjusting the speed gauge downward instead of reducing the speed.

All these are silly, indeed, but no more silly than their equivalents in the economic field. "Price control to prevent inflation" is also silly. The only reason why the medical plausibilities seem more silly than these economic ones is that medicine is further advanced and more widely understood. The economic mistakes we are now bringing upon ourselves may one day appear to our descendants to be just as foolish as the medical superstitions of old now appear to us.

Freezing the Price Thermometer

When there is inflation, prices rise. It would appear, then, that inflation is caused by rising prices. And this is the weapon of plausibility selected by the price-control part of government to justify its fight against the appropriations part: "The way to fight inflation

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

is simple – just establish price controls, and prohibit prices from rising."

There are two ways, in general, to test the truth of a proposal like this, and to prevent the practice of quackery: (1) judging from experience, and (2) reasoning to the right answer. By both of these tests, price control is shown to be economic quackery.

Lessons from History

There has been a wealth of historical experience with price controls. In fact, a recent archaeological discovery reveals that the oldest known laws in the world were price control laws – 3,800 years ago in ancient Babylonia.

One of the best summaries of historical experience with price controls is easily accessible to governmental officials and others. In 1922, Mary G. Lacy, Librarian of the government's Bureau of Agricultural Economics, addressed the Agricultural History Society under the title: "Food Control During Forty-six Centuries." She pointed out how her search of history over this entire period revealed repeated attempts in many nations to curb by law the inflationary rises of price. She said:

> The results have been astonishingly uniform. . . . The history of government limitation of price seems to teach one clear lesson: That in attempting to ease the burdens of the people in a time of high prices by artificially setting a limit to them, the people are not relieved but only exchange one set of ills for another which is greater. . . . The man, or class of men, who controls the supply of essential foods is in possession of supreme power. . . . They had to exercise this control in order to hold supreme power, because all the people need food and it is the only commodity of which this is true.

But we need not go so far back into history, and to a foreign land, for evidence. During World War II we were experiencing some of the vivid consequences of these controls in the form of the "meat famine." It was not a true shortage of meat at all. The trouble was that controls were preventing its exchange, all along the lines of trade from producer to consumer. This was only one small sample of the consequences of those wartime controls. How short are our memories?

Free Price Is Economic Governor

Some may be tempted to ignore this long history of failure of price controls on grounds that "conditions are now different." Then they evidently do not understand the reasons why price controls must always fail. These reasons are perhaps the best test of whether they are likely to fail of their avowed purpose this time.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

It is impossible to consume something that has not been produced, and it is foolish to produce something that is not going to be consumed – to throw it away, or let it rot. It follows, then, that a balance between what is produced and what is consumed is the most desirable condition – if, in fact, it is not economically imperative to have this balance. How is this balance of "supply" and "demand" to be attained?

Under a condition of price freedom, those who produce and those who consume will resolve this problem peacefully. The means by which they do it can best be visualized by the use of a chart, simplified for purposes of illustration. The details, shown here as equal changes in price and quantities, differ from one product or service to another and change with passing time. But despite these differences, the principles we shall derive apply to each product; and they apply whether the price is controlled directly by government or by any other form of monopoly.

These are the principles of price – free and controlled – as revealed by the accompanying chart.

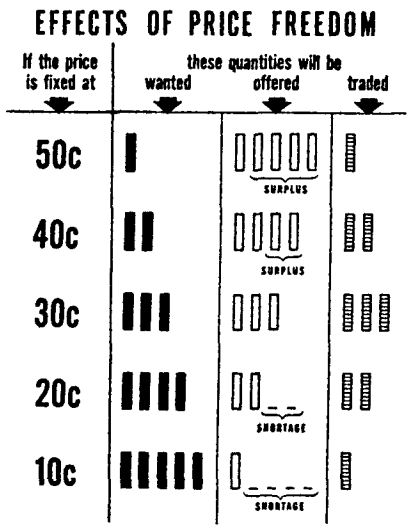
1. Reductions in price cause increases in the quantities wanted (on the chart, five times as much at 10 cents as at 50 cents).

2. Reductions in price cause decreases in the quantities offered (one-fifth as much at 10 cents as at 50 cents).

3. Supply and demand are equal at only one point – the free market price (30 cents); higher prices always cause surpluses (four-fifths remaining unsold at 50 cents); lower prices always cause shortages (four-fifths of the demand not supplied at 10 cents).

4. Trading and the economic welfare of both producers and consumers are greatest at the free market price, and are prevented as prices are forced either higher or lower.

The only instance in which "price fixing" fails to have these consequences is where it is set at



LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the free market level (30 cents), in which event the governmental edict is a sham because that is where the price would be in the absence of this pointless edict. This is the point where people are freely acting in response to the inexorable signals of the market place. Yet, doing business at this price becomes "lawlessness" and "irresponsibility" by edict when price control sets it elsewhere.

Prices that are rigged very high or very low will kill off practically all trading. Attempts to stimulate production, consumption, and trading by forced labor, socializing of property, and subsidies to producers and consumers are all awkward attempts to replace the performance of people in a free market.

Under controls, those near the source of supply get most of it, and those at a distance have to go without. Black markets spring up. Distant consumers try to get some of the supply. Confusion increases and tempers mount. More and more price policemen are hired who, instead of producing useful things, try to quell the confusion and chaos. The bill for their salaries and other costs is sent to the unfortunate victims of the controls.

The simple chart at left reveals the answer to the question: Will price control stop inflation? All history has shown it to have failed. There is only one point of price where supply and demand are in balance, where both shortage and surplus are avoided, where trade is most peaceful, and where welfare is at a maximum. If this incontestable fact is understood, the belief that we can escape reality by enacting price control laws must be dispelled as an illusion.

From Price Lies to Rationing

Price control really means that laws are passed to make official prices tell lies. One of the penalties for the lying is the creation of shortages that cannot be peacefully resolved.

The shortage, once created, must be dealt with by further powers of government and law. There must be "rationing"—rationing by the government of the shortage it has created by law, rationing of goods and services to individuals because the government failed to limit the output of its money factory.

When the free market is allowed to operate and to set the price at a point where supply and demand will equate, each person will have purchase tickets in the market which correspond to the supply of something he puts into the market. Gifts, of course, are an exception; but in the case of gifts, the rights to draw on the market are still

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

given by the person who supplied the market with something to be bought. These purchase rights are tickets of merit based on production. And the whole thing balances out, as we have said, peacefully.

When the government intervenes with price control laws, this balance is no longer maintained. There are now more tickets for things than there are things to redeem. There are shortages created by law. Then governmental rationing seems to be needed, whereby government officials are empowered to decide who shall get the short supplies. This substitutes political considerations for the merit of production under a free price in a free market.

Laws That Promote Dishonesty

Not only do government-controlled prices lie, but the process also rapidly promotes dishonesty among all groups—merchants, producers, consumers, government employees, everybody. The temptation of bribery of government officials becomes great. Late during World War II, a grocer of extremely high integrity and wide experience, told me that it was absolutely impossible for anyone to practice honesty according to the law and still stay in that business under price controls. The reason for this should be clear when we consider the legislated falseness and interference with business operations that become involved.

If this nation is to carry a role of moral leadership in the world, it will have to be founded on the morality of individual persons. And this is destroyed by such laws.

The shortages that result from price and wage controls are purely a legal creation, created by the price control law and nothing else. *In an otherwise free economy, the "success" of any price control law can be measured by the extent of the shortage it creates, or the decline in production which it causes. And if such controls were complete and effective, they would probably stop all production for trade, which uses money.* This conclusion is inescapable.

Under present conditions of inflation, caused by rampant governmental spending—with laws aimed at the symptoms of inflation rather than dealing with its cause—the time is short for making an important choice. Its nature is indicated by what Lenin allegedly said in 1924: "Some day we shall force the United States to spend itself into destruction." And Lord Keynes reports: "Lenin is said to have declared that the best way to destroy the Capitalist System was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of the wealth of their citizens." Lenin probably knew that price and other controls – one of the main objectives of the system he favored – would then be imposed.

Unless the price control law is rescinded, its disrupting influence will lead to governmental enslavement of all labor and confiscation of all production facilities – to adopt, in other words, a completely socialist-communist system which we are presumably opposing.

A Strange Dilemma: Lawlessness or Socialism

The only escape from the consequences of these laws would seem to be for the citizens to ignore them. This means lawlessness, technically, in the form of black market operations and all the other forms of evasion. This places the honest citizen who favors human liberty in a strange dilemma. He must choose between practicing lawlessness in this technical sense, or supporting a socialist-communist regime.

If we add to a moral breakdown of the people, the confusion that is created when illusions and wishful thinking bump up against economic laws which cannot be revoked by man-made laws, and add to this the animosity that grows under these conditions and the utter distrust of one another that is aroused, then the prospect is too sobering to be ignored.

A step in the direction of taking away the government's monopoly in the production of money, and restricting government to the judicial aspects of exchange, would be to compel the government to live within its income. This means limiting government expenditures, strictly and absolutely, to taxes that are openly acknowledged to be taxes. It means prohibition of the concealed and deceptive tax of inflation.

If this were to be done, there no longer would be an inflation problem of the type we now have. If this were to be done, there no longer would be any excuse for the enactment of socialist-communist measures – these deceptive processes of legalized price fictions and interference with exchange. If this were to be done, it no longer would be "neecssary" to give up our liberty under futile controls aimed at the consequences of inflation rather than at its cause.

Ruthless measures are called for after the citizens have allowed their servant – government – to become their master. But it is better to be ruthless and successful in preventing inflation than to become the victims of both ruthlessness and failure. ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Taxation Theory

W. M. CURTISS

TAX EXPERTS long have theorized about the raising of money for various units and functions of government.

Should taxes be for revenue only, or as a means of social control, or both?

Should taxes be levied on citizens equally, or should "ability to pay" be a major consideration?

Where practicable, should the "benefit principle" be followed? That is, if government performs a service for specific individuals and not for all, should those who directly benefit be charged for the service? For example, should highway users be required to pay for them through specific taxes on motor fuels and motor vehicles and direct tolls? And, if such taxes are intended for highway use, are safeguards against diversion desirable?

Dr. Curtiss is Executive Secretary of the Foundation for Economic Education.

How pay for government schools at all levels? Studies show the tremendous economic advantages of high school and college education. Most parents urgently want education for their children. Should the cost of government schooling be charged on a "benefit" basis, either to the parents, or against the enhanced future earnings of the students?

Changed Circumstances

In the early days of our country, tariffs were an important source of revenue for the Federal government. And there was much debate among tax theorists as to the revenue-raising versus the protectionist and discriminatory aspects of tariffs. But "tariffs for revenue only" becomes an academic issue when the national government requires one quarter or more of people's earnings.

Seeking the ideal taxation form-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ula is of course praiseworthy, but conditions of the search have changed! The taxation experts of 100 years ago were talking about nine cents out of each personal income dollar. Today, nearly 40 cents of every dollar of personal income goes to support national, state, and local units of government. This calls forth new theories of taxation. Collecting the billions of dollars now spent by various units of government is no longer a question of "soaking the rich" but of how to extract 40 cents of each personal income dollar without stirring up a taxpayer revolt.

Taxation has become a tool of monetary and fiscal management. The experts speak of "fine-tuning" the economy so that employment will be high and productivity will expand.

There doubtless are those who look upon taxation as a means of redistributing wealth, in the belief that some have too much income and some too little. The progressive income tax is an expression of this belief, as are current discussions of a guaranteed annual income for all.

So, in view of the growing tax burden and the increasing use of taxes as a tool for social and fiscal control, let us further review the new theories and modern problems of taxation.

Hidden Taxes

The tendency of taxpayers to revolt against high taxes causes tax collectors to try to hide the tax burden so that the taxpayer will hardly be aware of what is happening to him. If this process takes place at a time of rapid growth in the economy, levels of living may rise at the same time that taxes are increasing. Without an understanding of what might have been, people can truthfully proclaim: "We never had it so good!"

An effective method of hiding taxes is the withholding of Federal, state, and local income taxes by employers from the wages of employees. Most workers are inclined to think only of their take-home pay and give little thought to the tax they are paying.

The social security tax not only is hidden through withholding, as is the income tax, but is otherwise disguised as well. If he thinks of it at all, the employee is likely to consider only his share of the tax, not realizing that the employer pays an equal amount on his behalf. Further, many who pay in the name of social security view it not as a tax but as saving for their old age.

A real estate tax is rarely thought of as a hidden tax, but when I asked a neighbor how much his school taxes were, he re-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

plied: "I haven't the slightest idea; I pay them monthly along with my mortgage, interest, and insurance bill."

Perhaps the most cleverly hidden tax is inflation. When the national government fails to cover its expenditures through taxes, it must borrow the difference, either from individuals or the central bank. If the latter, a multiple of that debt is likely to be added to the money supply, which is inflation. Inflation usually is accompanied by rising prices and erosion of the purchasing power of the dollar. Since 1939, the dollar has lost about half of its purchasing power. This is a tax upon savings, as truly a tax as any of the many other ways of raising revenue. From a political standpoint it has the advantage of being hidden. Also, it is possible to make people believe that the cause of inflation is the raising of prices by greedy businessmen or of wages by labor unions.

Taxes are hidden in other ways, too. Many are incorporated in the prices of things we buy and we rarely realize that a tax has been added. Taxes on liquor, cigarettes, automobiles, and gasoline are examples.

Voluntary Taxes

With compulsory taxes absorbing so high a proportion of income, it may appear paradoxical to speak of voluntary taxes. But what is a government lottery, if not a voluntary tax? Certainly, a person may avoid the tax by not participating in the lottery.

The state of New York spends millions of dollars each year to try to prevent illegal gambling. One might conclude that the lawmakers believe gambling is an evil which should be suppressed. But no; we find the state permitting and even encouraging certain types of gambling. Bingo is permitted under certain conditions and betting at race tracks where the state gets a heavy "cut" is encouraged.

And now, the state-wide lottery to raise money for "education"! The state felt it needed more general revenue than it could raise through its many tax sources. So, why not try a "voluntary" tax like a lottery, and call it "education"? This might remove the onus for some who think gambling is a little bit evil and who do not realize that this is just another way of swelling the general revenues of the state.

Regardless of how one may appraise the moral aspects of gambling, there seems little doubt that a state lottery operates as a regressive tax, taking heavily from the poor, even though voluntarily. Historically, governments that have resorted to lotteries have had

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in common a tendency toward decadence. The state lottery feeds the idea of "something-for-nothing" already far advanced in this country. From the standpoint of the lawmakers, it is a "last resort," desperation effort to fill the coffers of a profligate state.

Diverted Taxes and Highways to the Moon

Taxes sometimes are levied for an alleged purpose and diverted to another. The gasoline tax often brings this comment: "I wouldn't mind paying the gas tax if I could be sure the money was spent to improve highways."

The diversion of taxes collected from highway users has brought sufficient protest that 28 states have adopted antidiversion amendments to their constitutions. But, in most instances, such antidiversion measures have little effect on the over-all pattern of government spending.

True, in some states, more revenue is raised from highway users than the total spent on highways. For example, in New Jersey where there was no state income tax, more than 40 per cent of all state revenue in 1966 was from motor vehicle, fuel, and license taxes; and about 40 per cent of that was used for nonhighway purposes. In contrast, some states spend more on highways than they collect in highway taxes. For the country as a whole, disbursements for highways by all units of government are about equal to the receipts from highway taxes by all units of government.

One may be certain that tax income from lotteries in New York and New Hampshire will be watched like a hawk to see that it is not diverted from educational purposes. But this fear will be unfounded; the huge amounts budgeted for education will more than absorb all such lottery funds. Whether the lotteries will make available additional funds for education or simply release general funds for other purposes would be difficult to determine.

The point is that when 40 per cent of personal income is taken for taxes, the diversion argument is hardly important. Ways will be sought to raise this money as painlessly as possible. Motorists apparently will tolerate a tax equal to half the price of their gasoline. Liquor and cigarette users will submit to a very heavy tax on those products, no matter to what purpose such funds are diverted. How would government finance an excursion to the moon except by diversion?

Are social security funds diverted? It all depends upon one's point of view. In the early days, when social security taxes collected

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

far exceeded benefit payments, was there diversion? If one assumes that social security taxes are intended for the general welfare, then there is, of course, no diversion. If future benefits are considered a contractual obligation, then past and current social security taxes fall far short of needs, and diversion is a term without meaning.

From an administrative standpoint, with governments involved in so many activities and at such tremendous cost, it becomes practically meaningless to try to earmark funds at their source for specific expenditures. The attempt is made in the Postal Service, but with what success? Deficit after deficit! People will say: "Let those who want mail service pay for it," or "Let those who want to go to the moon pay for it," or "Let those who want to fight in Vietnam pay for it." But do they really mean they're ready to vote the government out of that particular business and leave it to competitive private enterprise?

In many instances, special taxing districts are set up to provide specific services such as schools, fire protection, police protection, water, or sewerage. Diversion of such special district taxes for other purposes is reduced to a minimum under such arrangements, though such districts often require extra funds from other tax sources.

Not many years ago, public elementary and secondary schools were financed almost entirely from local real estate taxes. But the trend has been increasingly toward state and Federal aid for the financing of more and more elaborate schools and school programs.

Conclusion

So, we see that tax policy is more complicated than it once was. What one's theory of taxation finally amounts to is his theory of government, because taxing is an integral part of the governmental process. And there are really but two basic and fundamentally opposed theories of government. One theory, the one upon which the United States of America was launched, held that government ought to defend the peaceful individual and his property.

The alternative theory of government, increasingly popular among Americans, would plunder the property of individuals for the supposed benefit of others. This is socialism. And the tax policy of socialism is to confiscate all private property.

The use of tax policy for social control – for leveling wealth – is not a new development. The U.S. official who said recently he would take property from those who had

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

more than they need and give it to those who don't have enough was merely expressing the major tenet of socialism.

More important than taxation theories is the question of the proper function of government.[1] Rather than debate whether 10 per cent should be added to income taxes or raised through further inflationary deficits, a more basic question should be raised: Will this money be used to finance a proper function of government?

Even though there will be minor differences in details, a clear understanding of the proper place of government in an advanced free and open society will largely eliminate the need for complicated taxation theory. With government reduced to reasonable size, the financing of it becomes relatively simple. ◈

[1] For a discussion of the proper function of government see *Government: An Ideal Concept*, by Leonard E. Read. Foundation for Economic Education, Inc.

. . . Because I Am an INDIVIDUALIST

ANNE WORTHAM

The "attached article" mentioned by Miss Wortham in this message to friends is a reprint of her "Individualism versus Racism" from the January, 1966, FREEMAN. *If you missed it, let us know.*

PRIOR to and after having written the attached article, I have been swamped with questions from racists, liberals, and conservatives – Negroes, Whites, and Jews – Africans, Englishmen, and Israelis. Most of the questions boil down to this: "But what was so different about your environment that leads you to think as you do?"

You see, I am a Negro. I was born and raised in the segregated town of Jackson, Tennessee. I attended college at that famous pillar of "Negro civil rights"—Tuskegee Institute in Alabama. I grew

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

up in a segregated town; I worked as maid for white women; I was taught in college that I had to "catch up and beat *them*"; I have been discriminated against once in Washington, D. C. But . . . a Negro demonstrator once called me a traitor; some college classmates hinted that I was an "Uncle Tom"; a work supervisor called me a maverick; a white "liberal" I worked with accused me of committing treason against my race. In other words, I spent my growing years in the "right" environment and heard all the "right" dogma but I turned out to be the wrong product. Everyone wants to know why. Why? Because I am an individualist. It is as an individualist that I address myself to you.

There are the Southern white racists, the Northern white "liberals," the militant Negro racists, and the moderate Negro racists. At one time or another depending on the circumstances, these groups are thought of by most in our country as being on opposite sides of the issue. This is a fallacy. There is another group of people in this country who stand in opposition to those who are opposed only in their means but who all have the same end in mind. What many fail to recognize is that the proponents of *Negro* civil rights, black power, and white or black supremacy are all on the same side of the issue. On the other side are people like me – the individualists – who have no need for group identification. These people, of all races and with varied backgrounds, do not sacrifice themselves to others and do not ask that others sacrifice their lives to them.

Individual Rights or Collective Wishes

Those of us who have not had to think in terms of race before are now being intimidated by a race of people who are demanding much more than a chance to live. With the help of their white cohorts, they have succeeded in jeopardizing the lives of us all by demanding that we sacrifice our individual rights to their collective wishes. Pushing Congress to implement the theory of "from each according to his ability, to each according to his need" is leading us all into collectivized slavery.

Because I am a Negro, I would like to make public my thorough disgust for the stand so many have taken as speakers for Negroes. They may speak for Negro racists. But they do not speak for those individuals for whom being a Negro means no more and is as inconsequential as a thimble of water dropped into the ocean. Being a Jew, a white Christian, a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Negro, or a Puerto Rican is by no means a satisfactory or realistic measure of man as far as individualists are concerned. And living as individuals would be far easier if white and black racists would take their groupism away from this world, to another universe where man does not exist. For what they preach is anti-life, anti-man.

This summer, a well-known news commentator made the following observation: ". . . a formless, generalized hatred of white people is not easy to answer. It may be impossible. If anyone knows the answer I have not heard it."

There Is a Solution

There is an answer. That answer is to give no sanction to and no excuses for hatred. This summer's rioting, looting, and sniping was an expression of hatred for life – which means, productivity – which means, responsibility – which means, choosing to think for oneself and acting on one's own volition. This summer's madness was just one more revelation of the fact that hatred for a responsible, productive, and rational life has been transformed into hatred for a group of people. Not all white men are responsible, productive, and rational persons; but many of them are, and many Negroes are, too. Yet, when some Negroes say "I hate Whitey," they are not speaking of particular men; they are speaking from emotions that reject the basic principles of human life. When they express their hate, they not only do harm to themselves but they make it difficult for those of us who love life to live in peace.

Why the hate? Why the escalation of that expression? It is simply that it is easier to have hatred that is *sanctioned by the hated* than to live in peace with one's neighbors. When one hates, one must negate something. In this case, many Negroes have negated their own self-interest as well as the individual rights of others. Hatred is a negative emotion and it begets only the negative. But if told he is justified in his hatred, a man possessed by that ugly emotion will not question his motives; instead, he will go full-force toward destroying what he hates – those who pleaded their "guilt," thereby giving him the "gun" he turns on them.

With Justice for All

How do you deal with the brand of hatred we've experienced in the past months? You give it no sanction, no money, no food – *nothing*. You do it justice; you do not give it mercy. Mercy in the form of OEO projects, free food, clothing,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

housing, medicare, and Presidential Commissions is not the answer. A race of people is strangling this nation and they are doing so at the expense of the rights of others. When a man chooses to use force to obtain values, he is no longer to be dealt with as a man; he is to be dealt with as the brute he is. (By force, I mean anything from government welfare agencies that cannot operate except by forced taxation, to the use of bricks, clubs, and guns). You don't plead with a sniper – you don't *give* goods to a man who has just finished looting another man's property – you don't claim as "victims" those who stood by when trouble was brewing and did nothing, said nothing – you don't forgive the inexcusable – you don't give patient audience to your destroyer – you don't give your destroyer reason to count on your pity or your guilt – you don't deal with people who ask your help in the tone of a threat.

You don't pity; you grant justice. Pity offers an escape from reality; it is a blank check on and license to evil. We have ample proof that such pity and mercy are destructive. Justice is recognition of the fact that one must never seek or grant the unearned and undeserved, neither in matter nor in spirit. And the only justice that can be granted to those who demand the fruits of another man's effort is indifference. They must know, too, that once they initiate force on another man they relinquish their hold to *all* rights and will be dealt with accordingly.

The real victims of our state of affairs, however, are the individualists. As one among this group, I ask to be left alone and to be relieved of being forced by my government to pay for the evils of others. I have good reason to believe that I am not alone.

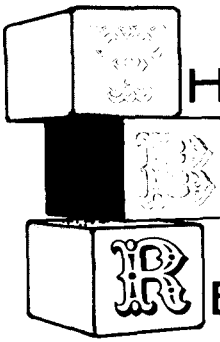
I thank you for reading what I have to say. It is my hope that you will join me in doing all you can to protect the rights of the individual from encroachment by groups and by government.

Reprints of the above article
are available for 3 cents each.

•

Correspondence for Miss Wortham may be
addressed to THE FREEMAN for forwarding.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



THE BASIC REALITIES

LEONARD E. READ

JETS! Autos and cornflakes! Reapers and homes and dishwashers! Trains and pencils and microscopes and ships! Clothes and computers and flowerpots and radios and watches! The list of these supposed realities, the things we see and touch, is virtually endless — and still growing.

Can it be that these material things are not themselves fundamental but are in the nature of shadows cast by human qualities we cannot see with the eye or touch with the hand?

Dr. Donald Hatch Andrews, the renowned scientist, answers in the affirmative:

> I suggest that we postulate that the intangibles of truth and beauty, human freedom, courage, honor, honesty are the core of the truly basic realities; and that the supposed realities which we see and touch and feel are really only shadows cast by these truly basic dynamic forms. . . .[1]

Why, one might ask, should anyone devoted to an understanding of economics wish to examine this postulation? Would this not be turning away from day-to-day practicality? Are economists not primarily interested in the removal of poverty, in a proliferation of these things by which we live and prosper? Is not economics the study of the production and distribution of wealth, the efficient and just allocation of scarce resources? Granted the high value of truth and beauty, freedom, courage, honor, honesty, of what

[1] Donald Hatch Andrews, *The Symphony of Life* (Lee's Summit, Mo.: Unity Press, 1967), 440 pp.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

relevance are they to material well-being? Do not these intangibles pertain to another realm of life? How can voice delivery at the speed of light, for instance, be but a shadow cast by these spiritual attributes?

The answers to these questions take an unconventional turn if the postulation proves correct. And, further, the study of economic welfare must undergo a drastic shift in emphasis.

But is the postulation valid? I believe it is, that material well-being – the possession of things we see and touch – is no more than a potential dividend of moral rectitude.

To approach the matter from the negative side, is it not a fact that a high standard of living is out of the question when and where moral depravity is the mode? A society of thieves would soon perish of starvation, as would a people bereft of freedom, or unattentive to a search for truth. Were dishonor, ugliness, and lies the general practice, life itself, let alone affluence, would be impossible.

On the basis of these simple observations, are we not warranted in concluding that material well-being has to be preceded by certain spiritual attributes and that the things we see and touch are shadows cast by these intangible but real forces?

Admittedly, the study of economics aims at finding out how better to produce and distribute the material things by which we live and prosper. But, assuming the correctness of our postulation, economics of the meaningful brand is a discipline founded upon and secondary to a high moral order. A truly productive, trading society must presuppose men of some rectitude, not rogues.

Political Authoritarianism

We must distinguish, however, between true and false economics, the latter being a roguish sort of business. Merely observe the "economists," in business as well as in the academies, whose systems involve feathering the nests of some at the expense of others, who would rob countless Peters to fatten selective Pauls, and who pay honor to little more than their own schemes. We witness in these instances the "economists" themselves lacking the moral and spiritual attributes which must be presupposed for fruitful economic activity. This sort of thing – systems aimed at controlling individuals in their economic behavior – should not be referred to as economics but as manifestations of political authoritarianism.

Parenthetically, something is amiss in our vaunted educational institutions: turning out authori-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tarians and calling them "economists" who, in turn, teach authoritarianism and call it "economics."[2] This parallels in confusion our "educated" people who commend and lend cooperation to gambling (lotteries) as a means of financing the same brand of schooling that "educated" them![3] They would do well to heed Emerson, ". . . the end preexists in the means."

So, I claim to be false that brand of "economics" which pertains to the immoral, egotistical, and satanic, namely, how forcibly to control the lives of others.

These Things Shall Be Added

Economics proper is concerned with the behavior of men in voluntary, cooperative, competitive, private activity – with the governmental agency of force limited to keeping the peace.

Within that framework of how men behave when moral and free, we do indeed discover that the tangibles – the things we see and touch—are but shadows cast by the basic realities: truth and beauty, human freedom, courage, honor, and honesty.

The postulate we are trying to examine is simply a scientist's rendition of "Seek ye first the Kingdom of God and his righteousness, and all these things shall be added unto you." No mention is made of *how* "these things" – the tangibles – shall be added. Merely seek what is right and true and they shall be forthcoming without further ado, automatically, so to speak. In short, so goes the promise, "these things" are but shadows cast by finding and observing the verities.

The mystery of such "manna from heaven" largely accounts for the all-too-common rejection of this counsel offered by first a biblical and now a scientific writer. Ever so many persons, particularly the pragmatists emerging from our modern educational institutions, are reluctant to accept anything bearing the stigma of mystery; they accept only that which their little minds can analyze and explain.

Investigation into how a moral people behave when free – the valid brand of economics – overwhelmingly supports the view that "these things" are shadows cast by spiritual attributes.

Here is but one example among many. This is written on a hot,

[2] For what this writer believes to be amiss in education, see Chapters XV, XVI, and XVII in *Anything That's Peaceful* (Irvington-on-Hudson, N. Y.: The Foundation for Economic Education, 1964).

[3] Education is the excuse used to justify the New York State lottery. For a critique of gambling as a means of financing governmental activities – education or whatever – see "Kakistocracy," THE FREEMAN, August, 1963.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

humid day in August, but an air conditioner keeps my workroom at a comfortable temperature. The startling fact is that not a person on the face of the earth knows how to make this new-fangled gadget, nor has any living person had more than an infinitesimal part in its making.[4] Yet, air conditioners exist by the millions, cooling homes, offices, laboratories, automobiles, airplanes, you name it! If this is not a phenomenon, pray tell, what is!

How are we to account for this miracle that has happened to us? And why has it not happened to various other persons or groups?

It is evident that there could be no air conditioning in a society of thieves. Or among a people whose promises are naught but babble. Or among those whose search for truth is so remiss and shallow that the value of industry, thrift, initiative, and other virtues stands unrevealed. Or among slaves where freedom does not prevail. Or among a people so lacking in courage that all innermost convictions remain forever hidden. A society of liars would lack air conditioners, planes, autos, food – and could not long survive.

It should be plain that these miraculous conferments can happen only to a people more graced with rectitude than damned by depravity. Nor is it too difficult to see why.

At the level of economics – secondary to the moral order – exchange is the key to abundance. To appreciate this fact, merely contemplate your plight were you left exclusively to your own resources.

Willing Exchange: Key to Abundance

There are two kinds of exchange: willing and unwilling.

Unwilling exchange is of the authoritarian brand: the forcible exchange of one's income to finance idleness, to put men on the moon, and the like. Unwilling exchange is beyond the pale for no other reason than its coerciveness. Were another reason necessary, its inefficiency could be cited. The Russians, for instance, are the leading practitioners of unwilling exchange.

Willing exchange is the key to abundance at the economic level. In the U.S.A. alone, these exchanges – the tangibles and the intangibles – run into inestimable trillions daily, so numerous and ordinary that we are scarcely conscious of them.

Willing exchanges, essential to the removal of poverty and the

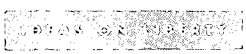
[4] For more detailed explanations of this irrefutable claim, see "Only God Can Make A Tree – or a Pencil" in *Anything That's Peaceful*, and also my recent monograph, "Where Lies This Fault?"

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

source of economic gain,[5] are more prolific among honorable people, those whose word is as good as their bond, than among dishonorable people. We avoid trading with cheats and liars as we avoid the plague. *Willing exchanges run to men of veracity;* they proliferate where the verities are sought and observed; the better these truths are understood and practiced the more numerous the exchanges and, thus, the more are "these things" added unto us. It is literally true that the supposed realities which we see and touch are but shadows cast by truth and beauty, human freedom, courage, honor, and honesty.

It is implicit in these reflections that the economist who is not first a student of the verities – moral philosophy—must perforce depend on others for an understanding and spread of righteousness, the basic reality to which his discipline is secondary. But far better if both disciplines are mastered by each and every one of us—by you and me. ◈

[5] See "Freedom's Theory of Value," THE FREEMAN, October, 1967.



Swayed by Passion

WHEN A STATE has weathered many great perils and subsequently attains to supremacy and uncontested sovereignty, it is evident that under the influence of long established prosperity, life will become more extravagant and the citizens more fierce in their rivalry regarding office and other objects than they ought to be.

As these defects go on increasing, the beginning of the change for the worse will be due to love of office and the disgrace entailed by obscurity, as well as to extravagance and purse-proud display; and for this change the populace will be responsible when on the one hand, they are puffed up by the flattery of others who aspire to office. For now, stirred to fury and swayed by passion in all their counsels, they will no longer consent to obey or even to be the equals of the ruling caste, but will demand the lion's share for themselves.

When this happens, the state will change its name to the finest sounding of all, freedom and democracy, but will change its nature to the worst thing of all, mob-rule.

The Histories of Polybius, Book VI

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Discipline in Life

ONE of the most important needs of young people going out into the world from university and high school is discipline.

We need to know about discipline because we simply cannot get along with other people without it. By the time we finish our formal education we have become persons, with status in a group entitling us to rights and imposing responsibilities.

Some acts are commanded or forbidden by the general opinion of humanity. The discipline of law is the good man's defense against the unjust actions of other men. Other areas in life are governed by rules agreed upon so that people can work and play together: the rigidity of the squares and the moves in chess, the rules of a trade union, the by-laws of a corporation, for example, and the regulation of traffic.

There are other activities in which discipline plays its part. It was Cromwell's discipline of his army that broke the cavaliers; it was Thomas Aquinas' personal discipline that enabled him to write his magnificent summations of duty and responsibility; it was the discipline of a great cause that took the little ships to Dunkirk with nothing more to guide them than directions scribbled on the back of an envelope.

We are troubled today because disciplines to which we became accustomed through the ages are coming into conflict with new customs in a changing society. This is a confused period, when many people have lost or have thrown overboard the old standards without acquiring new ones. We fear that we may be shaken loose from

Reprinted by permission from The Royal Bank of Canada *Monthly Letter*, May, 1958.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

our moorings in respect to marriage, economics, politics, government, freedom, democracy, and a host of other things we have cherished.

This is happening in a time when we have achieved material certainty such as we never before enjoyed. Her Majesty the Queen said in her Christmas Day broadcast: "It is not the new inventions which are the difficulty. The trouble is caused by unthinking people who carelessly throw away ageless ideals as if they were old and outworn machinery. They would have religion thrown aside, morality in personal and public life made meaningless, honesty counted as foolishness, and self-interest set up in place of self-restraint."

Nature's Discipline

Everyone who has studied mathematics, physics, and chemistry has learned about the systems and disciplines of nature. He found that a leaf, a drop of water, a crystal, a moment of time—all these are related to and are part of the perfection of the universe. Nature is a discipline. As Confucius put it: "Order is heaven's only law."

What we admire as order and beauty in the final form of any natural manifestation is the product of the measured discipline of its development, like the ebb and flow of the tides, the systole and diastole of our hearts. Without these disciplined motions there would be no growth, no achievement, no thought, nothing.

We must beware of thinking that discipline means fixity. A wave pattern is pleasing by its rhythmic alternation of dark and light, of high and low, but we know that every wave, viewed at close range, will show differences that will never recur in quite the same form. Nature is not so regimented as to make no allowance for some degree of latitude for the individual creatures within it.

One advantage of having life run along in good order or pattern is because good order tends to get the most out of things with the least labor. It is 2,300 years since an Athenian writer gave as an example of disorder the actions of a farmer who threw into his granary barley and wheat and peas together, and then, when he wanted barley bread or wheaten bread or pea soup, had to pick them grain by grain, instead of having them separately laid up.

Discipline helps us to establish a pattern. Deep in us we dislike chaos. When we succeed in forming a pattern, it becomes familiar and comforting. By following it we find that we can solve more problems with fewer false starts. We learn the pleasure to be found in a symmetrical life.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Social Discipline

Like nature, society has its discipline, a sort of standardized manner in which groups behave.

The discipline of society may be thought of as something in which one must qualify if one is to become mature. Society has certain common expectations, upon the basis of which people are able to cooperate and regulate their activities.

It is obvious that society can continue to exist only under certain conditions. Newcomers, like young people who leave adolescence behind them and step into the world "on their own," must learn and carry on the techniques and rules of the society. Just as in the classroom the students act in expected ways and the teacher has a different kind of activity, so in the wider environment different people have different tasks but all must act within a discipline that gives society an orderly form.

There are few fixed social levels in Canada. A person finds his own place in the social structure according to his capacities and energy. In striving toward his ideal he needs to keep in mind that customs and laws are not obstacles to be crashed through or hurdled or evaded. They are to be respected as conditions of the vital functioning of society. They are conditions of freedom because the only alternative to the rule of law is the tyranny of the strongest. Hendrik Van Loon said bluntly that we obey the law because we know that respect for the rights of others marks the difference between a dog kennel and civilized society.

Compulsion in social discipline gets its influence from long acceptance of it by the majority of the people concerned, but regulation by the *Criminal Code* has for the average individual less significance than a host of the less formal controls which surround him.

Sophisticated people are more influenced by custom than they like to admit. They do not think of these customs as being part of social discipline. Yet nine-tenths of what we do in all our waking hours is done in unconscious conformity with group habits, standards, codes, styles, and sanctions that were in existence long before we were born.

Self-discipline

In the turmoil of today, wrote Lord Beaverbrook in his book, *Don't Trust to Luck,* man "can only keep his judgment intact, his nerves sound, and his mind secure by the process of self-discipline."

We go a long way toward maturity when we substitute inner discipline for outer. Two men of different skills, more than two thousand years apart in time,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The test of greatness of liberty is the extent to which we can be trusted to obey self-imposed law.

agreed on this. Socrates, the Greek philosopher, taught self-discipline as the first virtue, saying it is necessary to make the other virtues avail, and Charles Darwin, author of *On the Origin of Species*, declared, "The highest stage in moral culture at which we can arrive is when we recognize that we ought to control our thoughts."

It is not necessary to think of self-discipline as something like self-punishment. We do not need to walk through fire or sleep on nails as certain sects in the East do; we don't need to go around with our noses in statute books or treatises on ethics as certain reformers in the West do. We see self-discipline in the boxer who halts his blow in mid-air at the sound of the gong, in the office manager who reflects before censuring a worker, in the mother who refrains from punishing her child in the heat of anger.

The man who gives in to the enjoyment he finds in flying off his control center, who cannot discipline his own stormy moods, will find opportunities for advancement eluding him. He may be endowed with great ability and he may have developed this by intensive study, so as to be capable of great things, but he is like Napoleon, of whom Sir Walter Scott said, "the wonderful being who could have governed the world, but could not rule his own restless mind."

Minds which have the greatest natural power have most need of training, just as the most mettlesome horses need schooling to make them useful.

But, says someone, what about our liberty, in which we take so much pride? Discipline is not antagonistic to liberty. License of behavior is not a proof of freedom. The test of greatness of liberty is the extent to which we can be trusted to obey self-imposed law.

It is not true that we have no choice except between lawless exercise of private license and the strait-jacket of conformity, with no leeway for the exercise of responsible judgment and the freedom of decision that goes with it. As we found in discussing the disciplines of nature, life is order, but order with tolerances.

Self-discipline means that we

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

do not act according to our likes and dislikes, but according to principles of right and wrong. It gives us freedom within the law: responsible freedom to move within an orbit as wide as, but no wider than, what is in harmony with preservation of the overall order on which survival and effective living depend.

Hence arises the virtue in moderation, the avoiding of extremes, the putting of all things in their proper place. Ambitious young people will show themselves worthy of the advantages they enjoy by the moderation with which they use them.

Finding One's Identity

Identification of one's self with established duties and rights is part of the process by which a person attains social personality.

The problem of duty may be summed up in this way: the worst reason in the world for not doing something is that you don't like to do it. The important question is: should you do it? The person who follows only his likes and dislikes has not grown up.

To help us find our way toward doing our duty, society has evolved morals and conventions. These are traditional generalities concerning right, wrong, duties, totems, and taboos. Some have been made formal in commandments and codes of ethics. They lay hold of raw, uncultivated man and smooth his surface and help him adjust to social living.

It is evident, then, that there are two sources of discipline: one that is outside the person and another inside. Social pressure is concerned with the regulation of conduct and manners; the inner discipline urges us "to thine own self be true; thou canst not then be false to any man."

Our personal standard is kept in line by conscience, which may be thought of as the human mind applying the general principles of good behavior to individual actions. It is our personal judgment on acts about to be performed.

There is a great area of life in which there are no "must" signs, a place wherein we recognize the sway of duty, fairness, sympathy, taste, and all the other things that make life beautiful and not just ordinary.

Lord Moulton described this area in a picturesque way. It is, he said, the domain of obedience to the unenforceable; the obedience of a man to that which he cannot be forced to obey. It is no mere ideal, but is strong in the hearts of all except the most depraved. In illustration, Lord Moulton cites the sinking of the *Titanic,* when "the men were gentlemen to the edge of death." Law

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

It may be a great part of the richness of our Western culture that we have so many areas in life subject only to the urge to do what is right and fitting, without compulsion.

did not require it. Force could not have compelled it. The feeling of obedience to the unenforceable was so strong at that moment that all behaved as, if they could look back, they would wish to have behaved.

It may be a great part of the richness of our Western culture that we have so many areas in life subject only to the urge to do what is right and fitting, without compulsion. True civilization may be measured by the extent of this land of obedience to the unenforceable.

Family Discipline

When we see someone away off the beam socially or personally, it may mean that he did not come up against the discipline boundary line at a time when he could have learned without hurt.

Since ages before history began to be written, the hearth has been the symbol of family life. The human emotions and customs formed there are the most important and abiding features of life. In all the essential human traits the person is the product of the family group and its mode of life.

Every parent knows that the natural tendency of children is to do what they like and to avoid doing what they do not like. The first everyday problem of every parent is to teach his children to do the things they should do, whether they like them or not, and to avoid doing the things they should not do, even though they like to do them.

Discipline is necessary to daily life in the family, not only for health and safety and tranquility, but also to produce the habits of social behavior which avoid perpetual quarreling. Children must be taught certain fundamentals like respect for other people's property and rights, and esteem for others as individuals. They need to learn, if they are to fit happily into society, to live within the law and to be honest and wholesome.

Children owe duty and loyalty to their parents. E. W. Scripps, the hard-headed newspaper publisher, declared flatly: "There has never been a time when violation of the fifth commandment has not produced a tragedy."

The truth is that children be-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

lieve in parental discipline. A survey of 96,000 high school pupils in 1,300 schools in the United States revealed the clear-cut opinion that parents should carefully restrict their teen-age sons and daughters as to hours, frequency of dates, places of amusement, choice of associates, smoking, and drinking. In Canada, fully three-quarters of the public think, according to a Canadian Institute of Public Opinion poll, that home discipline is not strong enough.

The responsibility of family nurture is not one that can be passed on to other institutions. The school, the church, and various societies have their proper functions, but no institution can fill the place in education and discipline that rightly belongs to the family.

Parents need standards. The secure child is the child who comes to know what his parents stand for, and that, as Dr. Henry C. Link writes in *The Way to Security,* they cannot be shaken from these standards by arguing or wheedling. Where the parents are sure of their principles, the child will be sure of his parents.

There are two main road blocks in the way of realizing perfect parenthood. Many parents in this scientific age have lost the convictions of their grandparents and have not been able to replace them with a set of their own; others are trying to live out their own frustrated wishes through their children.

Discipline in School

Good discipline in school requires that we establish and maintain wholesome conditions for learning.

Teachers cannot be expected to transform children who are spoiled at home into orderly, well-balanced human beings. The school can impose no stronger discipline than the parents exercise or will support. "How can you work with a youngster in school," asks an article in *The Educational Record,* "if he hears at home that the school is no good, the teacher doesn't know what she's talking about, and the principal had better watch his step?"

Discipline is needed in school, not only for the better management of classes and study, but also because of its value as a habit in later life. We all have to meet standards in adult life; it will be easier to do so if we learn to toe the mark during school days.

Some teachers try to be "pals" to their pupils, but the children have friends their own age and look to the teacher for something different: leadership. That leadership needs to be positive. It does not demand an assault upon the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The principles implanted through school discipline will be based upon pleasure in growth and achievement, not upon extremes of repression or leniency.

child's will, but it means persuading his will to desire the right things. The principles implanted through school discipline will be based upon pleasure in growth and achievement, not upon extremes of repression or leniency.

In Office and Factory

Like every other activity, business is carried on in a complicated social setting where habits, customs, conventions, and laws blend together to determine daily procedure. The office and the factory must have discipline, and giving force to that discipline is the responsibility of management.

Workers must pull together if their group effort is to be effective. Every person must do his fair share of the work, contribute to order and efficiency, and be considerate of the feelings of his fellow workers.

The duty of maintaining discipline is one of the hardest functions to get foremen and managers to discharge. Discipline is not so simple today as it was a half-century ago. Then it was mostly a matter of imposing the will of the boss by main force of voice, fists, and the threat of dismissal. Today, leadership of the human type is gaining ground rapidly. It requires knowledge, tact, and integrity. The foreman who wins the respect of his workers has practically solved the problem of departmental discipline; he has secured their willing cooperation.

The ideal sort of discipline is not gained by posting rules and regulations on a notice-board. The more rules a manager imposes upon his men, the more he raises their resentment because of the implication that they are incapable of self-direction. But a certain minimum of regulation is necessary to efficiency, safety, and smooth operation.

Consistency

Whether in the family, school, or factory, consistency in discipline is vitally necessary. Rules that only threaten, and are not enforced, are like the log that was given to the frogs to be their king. At first they feared it, but soon scorned and trampled on it.

Consistency starts with clarity. Let your rules be clear. Tell the reasons on which they are based.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Announce who is responsible for their enforcement.

The rules being made known, it is unfair to the working force to allow one or two persons so to conduct themselves as to hinder the efforts of the rest of the group. Leniency is cruel, not only to the group as a whole but to the offender. He who has been forgiven a hundred times learns to believe that he has no real faults to be forgiven.

Be consistent, too, in enforcing rules even when infraction of them has not resulted in material damage. Historians tell us instances from the long-ago past, three of which will illustrate the point. In war, the Romans inflicted punishment more often on soldiers who attacked contrary to orders than on men who had abandoned their posts when pressed by the enemy; a Greek general was awarded a garland for his victory, but fined a thousand drachmas for going out to battle personally unarmed; a ruler enacted a law that no one might possess over 500 acres of land and was punished according to his own law when it was found that he owned more.

Our reward for self-discipline and the acceptance of social responsibility is not necessarily money or power, but self-respect and the respect of others. To have control centered in us does, at the very least, preserve us from being dragged through life like slaves.

If a man is not the sort to seize upon discipline as something contributing mightily to his life happiness – a constructive force, a protective force – then he just must bear with it, for he cannot escape it.

It is better to make discipline something that will help us to get what we want out of life than to be driven into accepting it as a pitiless force.

Discipline has a happiness value. It will not save us from having to make choices, and therefore of sometimes making mistakes, but it will help us to assess the chances and choose more wisely. Quite often we shall find that the stern thing which discipline orders is the wisest, the best, thing. ◈

Self-Salvation

I am surrounded by a multitude of men and women pathetically eager to save the world, but strangely unwilling to submit to the austere self-discipline of saving themselves.

HANFORD HENDERSON, *Hands Off* (1924)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE Mixed Economy MIRAGE

MELVIN D. BARGER

PLEASANT REASSURANCES crop up regularly in commentaries these days to the effect that we now have a "mixed economy." This is good, the commentators say, and a reason why there'll be continued prosperity along with a measure of stability. The mixed economy, it's argued, tends to give us the best of both worlds; we can have the productivity of traditional free enterprise combined with the wisdom and objectivity of an all-wise, all-protective government.

But what reassures people the most is the implication that the major changes in the structuring of the economy are now behind us, and that the present mix is the pattern for the future. We face not socialism, but a rather companionable arrangement much like the present, in which certain businesses will be owned and operated by the government, some will be owned and operated by the private sector, while still others will be privately owned and managed but must operate under government control. There's something in this succotash to please the proponents of every social philosophy, and many of the commentators only stop short of saying that the mixed economy is really the long-sought millennium.

Quite likely, however, the mixed economy is more mirage than millennium. The belief that the economy will continue indefinitely in its present mix is probably an illusion based on wishful thinking, because there are too many ideas in force and trends in motion that portend more major changes and continuous adjustments in the direction of increased collectivism. We have not arrived at a "mixed economy"; instead, we are really on a journey toward a thoroughly socialist one. There are several reasons why this is so.

No End to Socialism

One reason why the mixture will become more socialistic is that socialists are the real architects of the present state of af-

Mr. Barger is a public relations representative in Jackson, Michigan.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

fairs; and in their view, a "mix" is really only a transitional phase. This is not to label as "socialist" the legislators and other political leaders of the past few decades who sponsored and voted for the laws that changed the economy. Most of them were highly in favor of the traditional American patterns. But the ideas and proposals which they adopted were formulated and skillfully offered in piecemeal fashion by men who frankly despised capitalism and believed it to be the cause of much human suffering. They were not out to modify the existing system; they were bent on replacing it; and for the most part, this is still the purpose of the writers and intellectuals who supply most of the basic ideas which later appear as legislation.

The socialists probably won their most important victory with the gradual adoption of their view of property rights – something which may have happened as long as 50 or 75 years ago. They view property possession and control as a privilege granted by the state, revocable at any time the state requires use of the property or the holder uses it in a "socially undesirable" manner. The traditional American view was that property rights were almost as important as a man's right to life and should be modified only under the most extraordinary circumstances. But the view that property possession is a privilege rather than a right gradually won favor. The result has been the extension of government control into every activity, usually on the grounds that people are abusing their privileges or not meeting their obligations.

Inherently Unstable

Another reason for the continuing socialist drift is that the mixed economy has an unstable tendency caused by the pleadings of special interest groups. This instability seems unavoidable. The chief tools of the legislators and political managers in dealing with special interest groups are subsidies and regulations.

One difficulty with subsidies is that they never quite answer the problems or the wants of those subsidized. At the same time, grants to certain groups always inspire others to seek similar favors. Subsidizing seems to be a self-perpetuating process. The taxing and inflation necessary to subsidize certain groups soon pinches almost everybody, with the result that further subsidies are demanded.

The same self-perpetuating process seems to apply to government regulation, with each special interest group pleading for tighter regulation of its competitors or its

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

adversaries but not of its own affairs. Human nature being what it is, such developments are fairly predictable; but in any case they do nothing to stabilize the mix between socialism and freedom. Another tendency of socialist trends is that once a measure of socialism is accepted, it continues to grow during prosperity and adversity; either condition will propel the economy further down the collectivist pathway. If the economy is prospering, the advocates of central planning quickly take credit and offer the tantalizing suggestion that if some government intervention has done this much good, more will do even better. Their cudgel is the memory of 1929 and the Great Depression, and they never tire of resurrecting this stupendous disaster and reminding us that only the benevolent hand of government prevents a repetition.

But what if a 1929 should occur even with the present controls? Socialists would never question whether existing controls helped bring on collapse. They would simply blame the crash on the greed and short-sightedness of managers in the private sector. The business managers' attempts to protect themselves would be condemned as antisocial. Even in recent business recessions of brief duration, managers come in for considerable criticism from government officials when they make logical operational adjustments such as inventory reductions and staff layoffs. Such criticism may be expected to reach hurricane proportions in the event of a truly deep depression. And the result would be taken as justification for more government control of business activities.

No Short Cut to Freedom

In this kind of a "heads I win, tails you lose" situation, what can individuals do to check the drift toward socialism? It does little good to warn of "creeping" or "galloping" socialism, because most people long ago lost their fear of it. "If this be socialism, let's have more of it!" they say, when praising the merits of a pet program. It also is of little avail to defeat specific socialist measures, for collectivism has been accepted up and down the line and persists as a hydra-headed monster. An individual who defeats it on one issue looks up to find ten new issues confronting him. Nor does it help much to point to the failures of socialism in other countries, because many feel that it's not a fair comparison. They say that the U.S., with its vastly superior technology and resources, has the edge on many smaller countries. The achievements of the free enterprise system ought to be

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

a good argument against intervention, but people prefer to believe that competitive enterprise will continue to produce lavishly no matter how much it is altered and regimented.

Possibly there is no way to halt the socialistic trend at this moment. No way has been found for a country to remain in a condition of freedom when a large number of its citizens favor certain forms of socialism; sooner or later, their feelings are bound to become expressed in the laws and economy of the country. These feelings may be based on false hopes and deceptions foisted upon them by unscrupulous leaders and clever propagandists; but if false ideas are accepted, they are for a time the reality one has to face. Though it may be clear to a few individuals that these false ideas will someday produce grim results, there's little that can be done if the majority insists that bad ideas and bad laws must run their course.

Individuals May Be Trusted

There is hope, however, in the good common sense of individuals, which can be trusted in the long run to spot falsehood and to do something about it. There's been considerable disillusionment lately with majority rule, which many had thought to be a panacea for the world's problems. Majorities, it's being learned, can institute tryannies quite as harsh as those imposed by one-man despotisms. But individuals can learn to do better than they have done, and so can ruling majorities. This correcting process may not work smoothly and automatically, and for a time the power of the majority in the United States may even be supplanted by a ruling elite, as seems to be happening now in Britain. Yet the long term future for good ideas is bright, for the simple reason that freedom works, while regimentation fails.

The duty of the libertarian is to keep his own thinking straight in this period of vast change. He should think of what ought to be, rather than what is. His beliefs may not be politically popular, but this does not mean they are wrong or that they will not be revived and accepted at a later date. Truth is not determined by a show of hands, and the fact that people will not vote for what is right does not destroy the truth. Crushed to earth, truth always rises again and challenges men to re-examine what they have done. That will be easier to do, in social affairs, if believers in the ideas of freedom stick to their principles and forget such passing illusions as the belief in the permanency of the mixed economy. ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The New Industrial State

I WAS ONCE a co-worker with John Kenneth Galbraith on *Fortune Magazine*. Presumably, in the course of carrying out writing assignments, we must have been subjected to similar influences. But what he saw, I failed to see – and vice versa. In his amiably sardonic way he used to refer to myself and to John Davenport as "Puritan" economists, meanwhile reserving for himself the adjective "Rumanian." By this he meant that he had no interest in the economizing function, which would attempt to use scarce means in the most productive way. To Galbraith as to Thurman Arnold, an overloaded payroll was simply a means to the end of spreading leisure and sharing a fixed amount of wealth among more people. He welcomed stagnation as a release from creative tension.

The Galbraith ideas have now been worked up systematically in a long, somewhat repetitive book called *The New Industrial State* (Houghton Mifflin, $6.95). I read it with considerable interest for reasons that are largely autobiographical. For Galbraith has embraced every belief that seemed revolutionary – and therefore exciting – to my own generation thirty and even forty years ago. He is the perfect Veblenite, even to his habit of seeking out the phrase that will best combine suavity and immeasurable scorn. Here is the "conventional wisdom" of the 1930 radical, preserved under a bell jar for consignment to the nearest museum of antiquated economic curiosities. Yet Galbraith thinks he is a red-hot ideological innovator! Never has such self-delusion received such a respectful hearing (though the good reviews, one notices, have come not from the economists but from liter-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ary critics who are almost totally innocent of the history of economic ideas).

Veblen's Influence

Galbraith's theory is that the commanding influences in modern economic life dictate a suspension of market forces. We all believed this back in the late twenties and early thirties when we were talking about Veblen's *The Engineers and the Price System* and eagerly awaiting the publication of the gospel according to Berle and Means. The big corporation supposedly was in a position to suspend "pure" competition. It could dictate its prices, control its sources of supply, and reach out, via the advertising skills of Bruce Barton and Roy Durstine, to bamboozle the customer into taking whatever the corporation stylists ordained for the so-called "market."

When I went to work for *Fortune Magazine* in 1936, I was a Veblenite par excellence. After writing corporation stories for six years, however, I wondered how I could ever have been so innocent. In support of his thesis that the modern "technostructure" keeps itself in power in the big corporations by controlling the future despite restless stockholders and the menace of competitive change, Galbraith cites the misadventure of the Ford Company with the Edsel as the exception that proves his rule. I might have believed this myself if I hadn't been forced by Harry Luce to visit Detroit, Toledo, Pittsburgh, and way stations to look at changing factory routines and to talk to people who, with an air of conspiratorial confidence, told me about the thousand dodges that enable a member of a "big two" or a "big three" to steal business from an "oligopolistic" competitor. My conclusion from a novitiate in writing for *Fortune* was that the system even at its most "oligopolistic" was shot through with competition, both open and hidden. But Galbraith, writing for the same magazine, apparently listened only to the front-office fellows who believed the propaganda of their own trade associations about "sharing" markets.

Galbraith is at great pains to prove the singularity of the Edsel story. But just how singular was this episode? I recall writing about the dilemma faced by General Motors in the year of the "pregnant Buick," when the GM stylists were suddenly confronted with a car which few people wanted. Some years later GM committed itself to the rear-engine compact called the Corvair. This was a concession to the popularity of the Rambler American on the one hand,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and the invasion of the American market by the Volkswagen on the other.

Alas for the planning of the GM "technostructure," the Corvair fell foul of two sets of assassins. One of them was Ralph Nader. But the other was the American consumer, who, when a predicted depression failed to materialize, decided that he didn't need to worry too much about the cost of supporting a more commodious car. For a few short months George Romney, as head of American Motors, seemed to be making considerable hay with his propaganda about the "gas-guzzling dinosaurs" which required so much money for operation and upkeep.

But where is the American Motors Company today? Its good ideas were imitated, its shortcomings live to plague it. As for the consumer, he cannot be compelled to any single style of car. His general preference seems to be for the rakish lines pioneered in Europe at a time when Madison Avenue thought it had bamboozled the car-buying public into accepting jello-mold features forever, but — who knows? — maybe the balloon-roomy style will be back in vogue tomorrow.

Consumer Pressure

Galbraith wants to eat his cake and have it, too. He pictures the industrial "technostructure" as a group which is in thorough control of the situation: it can set prices, manipulate the minds of buyers, bribe the workers by progressive wage increases, and cajole the state into underwriting the purchasing power of the masses by various inflationary devices. Yet this same technostructure is pictured in savage competition for the better scientifically trained manpower. There is a contradiction here, for if the management of big industry had the power which Galbraith ascribes to it, why the eternal scrabble of corporate "ivory hunters" for inventive minds and processes? The truth is that the big company which fails to innovate goes under, as such studies as A.D.H. Kaplan's *Big Enterprise in a Free Society* and the works of Schumpeter have so abundantly proved. The innovator moves to the unseen prod of the consumer, who may not know precisely what he wants but does know that he wants variety as his own share of the national income increases.

Pure and Imperfect

Galbraith makes great propaganda with his insistence that the modern market does not represent "pure" competition. But, save in the case of such identical things as wheat measured by the bushel,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

there has never been a "pure" market. "Workable" competition was the order of the day when the firm of Boulton and Watt was "administering" the prices of steam engines and when the better carriage makers were quoting what they intended to charge for the more expensive equipages. The tailors who sold to Beau Brummel put in an extra charge for fashion, which was the equivalent of the fee exacted by Madison Avenue fashion-makers today.

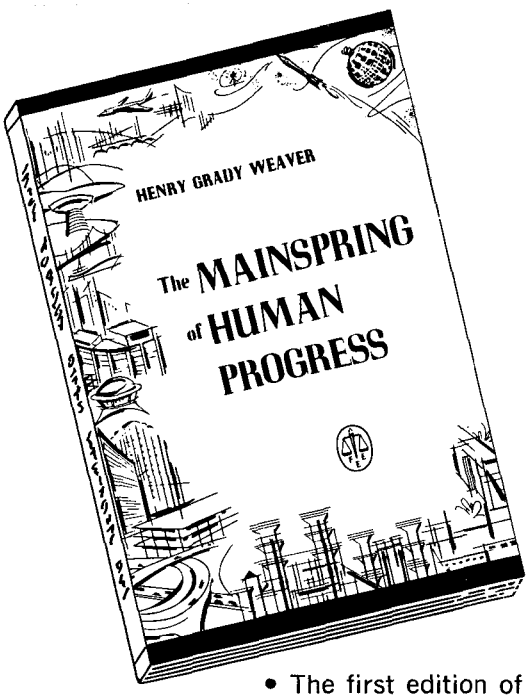
As Hayek and Schumpeter have both said, if we had "pure" competition in the Galbraithian sense, there would be no competition at all. For if everyone had such things as equal access to the market and equal foresight, nobody would have an edge over anyone else in the money-making process. Perfect foresight for all competitors would mean an end to profits. It is the very imperfection of the market that keeps innovators on their toes, results in new products, and aerates human existence.

In Galbraith's world the concept of "workable" competition plays no part. As David McCord Wright has said in a paper read at the recent colloquy of the Mont Pelerin Society at Vichy, France, Galbraith is a prophet of stagnation. He is the first "hippie economist," as his friend Al Capp, the cartoonist, has had the effrontery to point out.

But surely, the reader might say, Galbraith's book cannot be totally devoid of interest. It does have the incidental virtue of arguing that leisure has its place in life, and that the claims of esthetics are no less valid than the claims of economics. Moreover, Galbraith is an acute student of the psychology of the team. It is perfectly true that an IBM or a Chrysler Corporation does better when its employees have a loyalty to their organization that approximates the loyalty of the Harvard football team to its coach, captain, and alma mater. Money is not everything, and people work for more than the pay check.

But surely this is a "conventional wisdom" that is as old as Caesar's legions, or the builders of Chartres Cathedral. It is an amusing commentary that where Galbraith is good, he echoes a conventional wisdom that is virtually as old as civilization itself. ◈

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



NOW AVAILABLE

in a new, attractive, low-priced paperback:

Single copy	**$ .95**
3 copies	**2.00**
10 copies	**6.00**
100 copies	**45.00**

Also available in standard clothbound volume, $2.50

• The first edition of MAINSPRING (279 pp., indexed) was published in 1947. Since Mr. Weaver's passing, this great book has been the property of FEE. Previous to this new paperback edition, 350,000 copies have been printed.

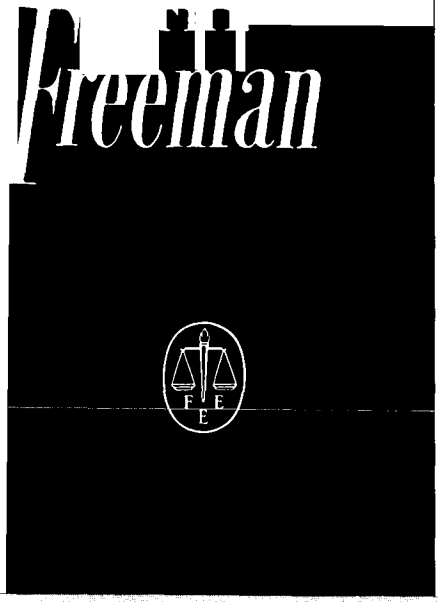
One large company's circulating library for employees required 150 volumes to meet the demand.

Based on FEE's experience, MAINSPRING tops all books as a starter for any aspiring student of liberty. Easy reading — indeed, exciting — the beginner becomes so interested in freedom that he can hardly help pursuing the subject further.

FEE's recommendation: Keep a good supply of the paperbacks on hand to present to any individual who shows a spark of interest in freedom.

THE FOUNDATION FOR ECONOMIC EDUCATION, INC.
IRVINGTON-ON-HUDSON, NEW YORK, 10533

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



THE FREEMAN may be forwarded anywhere in the U. S. A. No wrapper required.

From:

"Some Thoughts About Profits"

■ Profit is the mainspring of the creative cycle. Our enterprise system, powered by the profit motive, has been one of the fundamental forces responsible for the society of our times. U. S. business deserves prime credit for having tremendously reduced in this country man's age-old fears of not having enough food, clothing and shelter to survive. Equally important, and more difficult to achieve, it has done so while preserving and expanding the average man's freedom of individual decision, choice, and dissent, without which material gain would mock our belief in individual worth.

DR. GEORGE P. BAKER
Dean, Harvard Graduate School of Business Administration

Place 6-cent postage here

TO: _____

street _____

city _____ state _____ zip code _____

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED